

Rutherford County, North Carolina
Comprehensive Annual Financial Report
For the Year Ended June 30, 2005

Prepared By
Rutherford County Finance Department



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CHARLES HILL
Chairman
CHIVOUS BRADLEY
Vice Chairman
Clerk to the Board
AMANDA KING
Commissioner
PAUL MCINTOSH
Commissioner
BRENT WASHBURN
Commissioner

JOHN W. CONDREY
County Manager
HAZEL S. HAYNES

ROBERT W. BOLE
Finance Director
PAULA A. ROACH
Assistant Finance Director

Rutherford County

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Rutherfordton, NC 28139
(828) 287-6045
(828) 287-6262 FAX**

November 21, 2005

Rutherford County Board of Commissioners
County of Rutherford
289 North Main Street
Rutherfordton, North Carolina 28139

Dear Commissioners:

In compliance with the General Statutes of the State of North Carolina, the Comprehensive Annual Financial Report (CAFR) of the County of Rutherford, North Carolina, is submitted for the fiscal year ended June 30, 2005. The responsibility for the accuracy, completeness, and clarity of the report rests with the County Finance Director. We believe the data presented is accurate in all material respects; that it is presented in a manner to fairly represent the financial position and the results of operations of the County of Rutherford as measured by the financial activities of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the county's financial activity have been included.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of independent auditors.

REPORTING ENTITY AND ITS SERVICES

The county has a commissioner/manager form of government with five commissioners elected for four-year staggered terms. The Board of Commissioners approves all tax and budget issues by a majority vote. An organizational chart is presented in this introductory section.

The financial reporting entity consists of the primary government, organizations for which a primary government is financially accountable, and other organizations for which the nature and significance of their relationships with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government is financially accountable if it appoints a voting majority of the organization's governing body; and (1) is able to impose its will on that organization, or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. The following agencies have been included in the reporting entity as component units:

Rutherford County Airport Authority
Rutherford County Economic Development Commission
Rutherford County Transit Authority

Based on the foregoing criteria, it was not considered appropriate to include the following entities in the County of Rutherford reporting entity:

Rutherford County Board of Education
Region C Council of Governments
Fire and Sanitary Districts
Isothermal Community College
Rutherford/Polk Mental Health District
Rutherford/Polk/McDowell Public Health District
Western Highlands Local Management Entity

The financial statements of these entities are audited and available at the County Finance Office and the office of each entity.

The County provides, in total or in part, a full range of governmental services including General Government, Public Safety, Environmental Protection, Human Services, Economic and Physical Development, Education, and Cultural Activities.

ACCOUNTING SYSTEM AND BUDGETARY CONTROLS

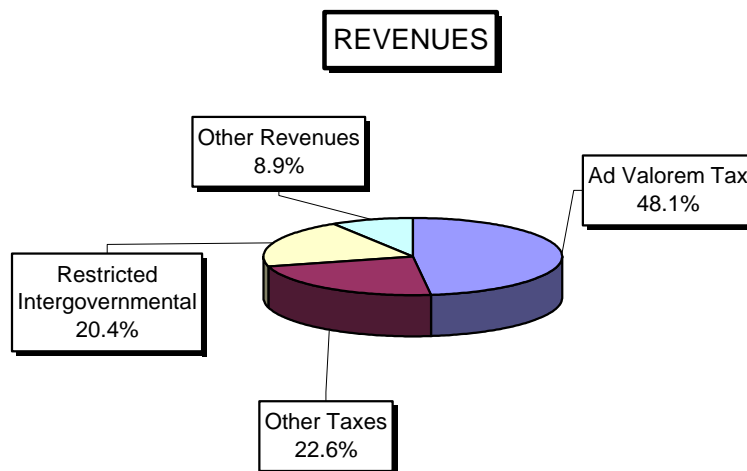
The county's accounting and financial systems have been designed to provide adequate internal accounting controls and to provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or dispositions and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits to be derived, and the evaluation of costs and benefits requires estimates and judgment by management. The county believes that the internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary or other control is exercised over all funds. Appropriations are made at the functional level for the General Fund, at the departmental level for the Special Revenue and Proprietary Funds, and at the object level for the Capital Project and Debt Service Funds. The Governing Board amends appropriations as necessary. The budget shown in the financial statements is the budget ordinance as amended through June 30, 2005. The county's budget ordinance is prepared on a modified accrual basis for all governmental fund types. The budgets for the General, Special Revenue, Debt Service, and Enterprise Funds are prepared on an annual basis, and the budgets for the Capital Project Funds are authorized for the life of the project.

GENERAL GOVERNMENTAL FUNCTIONS

Revenues for annual general governmental functions come primarily from ad valorem taxes, the two and one-half-cent optional sales tax, and intergovernmental revenues (primarily state and federal). These governmental functions include the general and special revenue funds. Revenues in the general fund are the sources used to carry out the general operations of the County. Special revenue funds are monies that are restricted by law or administrative action for specific purposes such as reappraisal, school capital projects, tourism development and the fire districts tax distribution.

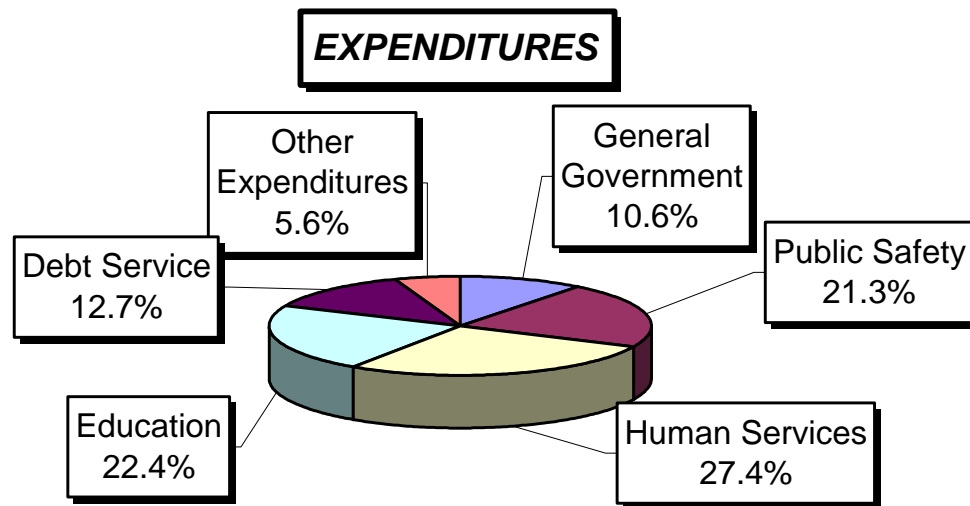
The following graph illustrates the County's general governmental sources of revenue for the general, special revenue and debt service funds only:



Rutherford County's revenues increased by approximately four and one-half percent mainly due to increases in ad valorem taxes and sales and services.

Ad valorem and other tax revenues continue to be the largest source of revenue for the County accounting for 71% of total revenues. Permits and fees increased fourteen percent, or \$138,454, mainly due to increases in revenues for excise stamps and building permits. Investment earnings increased following the growth in interest rates that has been experienced over the past year.

Management recognizes that local sources of revenue must be used to provide basic services instead of relying on the uncertainty of federal and state funding. Education, human services, and public safety continue to be the largest of county government expenditures representing 71% of all expenditures. The following graph illustrates the County's general governmental expenditures in the general, special revenue and debt service funds only:



Total expenditures increased by approximately nine percent or \$4.3 million. The majority of the increases occurred in economic and physical development with increases also occurring in the areas of public safety and general government. Increased expenditures in public safety were due to an increase in capital equipment purchases, increases in health insurance and workers compensation. The increase in human services was due to food stamps and medical assistance.

CASH MANAGEMENT

Rutherford County has in place an approved Cash Management Policy. This policy has specific guidelines for both revenues and expenditures. The Finance Department strives for efficient and profitable use of the County's cash resources. A pooled cash concept is utilized to maximize funds available for investment. Cash temporarily idle during the year is invested in Certificates of Deposit, various instruments guaranteed by the United States Government and the North Carolina Capital Management Trust Fund (North Carolina Local Government Investment Pool).

The County's investments for fiscal year 2004-2005 earned \$473,461. The balance of cash and investments was \$20,641,880 as of June 30, 2005 as compared to \$23,550,694 as of June 30, 2004. The county's undesignated fund balance as of June 30, 2005 was \$7,885,221 and \$2,426,175 in the General Fund and the Special Revenue Fund, respectively.

DEBT ADMINISTRATION

Rutherford County has efficiently managed its debt and has planned for future debt payment. General Long-Term Debt outstanding as of June 30, 2005 is comprised of the following:

- 2004 Certificates of Participation issued for school construction - \$7,440,000
- General Obligation Bonds issued for school construction - \$13,765,000
- 2003 Refunding of 1994 Certificates of Participation issued for county facilities - \$7,725,000
- 2001 Private Placement for county building projects - \$2,875,000
- 2003 Certificates of Participation issued for school construction - \$19,335,000
- 2003 Certificates of Participation industrial development - \$1,020,000
- Other Capitalized Leases - \$1,704,028
- Other commitments (accrued vacation, pension) - \$979,336

The general obligation bonds, certificates of participation, and private placement debt service are being funded with sales tax revenue (which is set aside in reserve funds). One hundred percent of the Article 40 one-half cent sales tax adopted in 1983 and sixty percent of the Article 42 one-half cent sales tax adopted in 1986 have been designated for school construction. These funds are being set aside to pay for construction of schools and the debt service on borrowed funds used to construct schools. The remaining 40% of the Article 42 one-half cent sales tax adopted in 1986 has been designated for county building construction. The capitalized lease payments and other commitments are being funded by general and special revenue fund revenues as the commitments come due.

During the fiscal year ended June 30, 2003, the County's General Fund borrowed \$1,850,000 from the Solid Waste Fund for a term of 15 years. The proceeds of this interfund loan were used to purchase and renovate a vacant industrial building, which is now occupied by Tracker Marine, and to purchase industrial equipment for Tracker Marine. The outstanding balance of this loan as of June 30, 2005 was \$1,600,000.

The June 30, 2005 Solid Waste Enterprise Fund Debt of \$793,847 is comprised of capitalized leases. Debt service payments on these leases will be paid from solid waste revenues.

The county bond rating for the outstanding general obligation debt is "A2" with Moody Investor Service, "A" with Standard and Poors Corporation and "A+" with Fitch Ratings. The rating for the September COPS financing is "A3" with Moody Investor Service, "A-" with Standard and Poors Corporation and "A" with Fitch Ratings. The rating process normally rates COPS issues one rate lower than General Obligation issues.

The General Statutes control general long-term debts that local governments in North Carolina can issue. Long-term debt cannot exceed 8% of the assessed valuation of the County which was \$3,952,493,750 as of January 1, 2004. Thus, the legal debt limit of the County as of June 30, 2005 is \$316,199,500 with a legal debt margin of \$262,335,472 considering the outstanding bond debt of \$13,765,000 and other debt of \$40,099,028.

RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To protect itself in these cases, the County participates in two self-funded risk financing pools administered by the Risk Management Agency of the North Carolina Association of County Commissioners. Through these two pools, the County obtains property, general, auto, professional liability, crime and worker's compensation coverage.

The County also participates in a self-insured pool with the Rutherford/Polk Mental Health District and the Rutherford/Polk/McDowell Public Health District to provide health and dental benefits to employees. The Insurance Plan Administrators for the pool were Kanawha Healthcare Solutions for medical and American General for dental.

In December, 2003, a trust fund was established to continue health insurance benefits for twelve mental health retirees as defined by an agreement between the Rutherford Polk Mental Health Authority and the Rutherford County Board of Commissioners as a result of the Authority's dissolution in 2005.

THE ECONOMY OF RUTHERFORD COUNTY

Rutherford County's population is estimated to be 63,397 with a work force of 29,489. The population has grown by 7.3% during the last decade. The 2001 Census revealed that the greatest growth occurred in the Lake Lure area indicating retirees moving into this area. The goods producing work force declined over the last decade, while the service producing work force increased. The median age has increased to 39.87 as compared to 37.0 a decade ago. The county trend seems to be following the national trend in rural America.

Seventy-three manufacturing firms are located in Rutherford County led by textiles, valves, and plastics. Textiles continue to be the leader in jobs and wages. Recent trends show textiles declining, again following the national trend. In 2000, the industrial base in the County diversified with the introduction of composites and automotive components. The County has also developed industrial sites and buildings to sell. Riverstone Industrial Park contains 1,150 acres and is the largest certified industrial park in North Carolina. There are over thirty building sites proposed for this property. Over twelve million dollars of private funds have been invested and the Town of Forest City is providing water and sewer.

Another significant industry in the County is travel and tourism. Travel and tourism results in employment of approximately 1,150 people and generates approximately \$107 million in annual revenues. Lake Lure, located in the northwest area of the County, is a tourist and retirement destination. Chimney Rock Park, another major tourist attraction, is also located in this area. There are 1,250 rooms available for overnight lodging in the County and three eighteen-hole championship golf courses. Movies filmed in the County have also enhanced the travel and tourism industry. The County has a Tourism Development Authority which strives to promote travel, tourism, retirement, and conventions in the County.

Many areas within the County have grown exponentially with residential construction. One such development is Grey Rock in the Lake Lure area. Since its opening in October 2004, it is already in its third of four phases of development. Grey Rock is also the home of the 10th Anniversary HGTV Dream Home. Based on Home & Garden Television officials, an estimated 30,000 tourists are expected to visit Rutherford County for tours from January to March 2006. This 5,700-square-foot house offers an awesome panoramic view of Lake Lure and the surrounding mountains.

The County has implemented a strategic plan entitled Realize Rutherford. The plan was designed by a group of County citizens and defines a comprehensive direction for the next 10 to 20 years on issues such as economic development, education, housing, land use planning and recreation. To date over one hundred groups or individuals have committed their time and effort as Vision Partners. A Vision Partner is someone who is actively working on one of the strategies within the plan. The process is privately funded for five years through local organizations.

The largest challenge facing the County is re-training the work force. In view of the changing technological requirements of industry, Rutherford County is fortunate to have Isothermal Community College standing ready with specialty training programs to help new and existing industry to keep pace with their changing needs. The college offers 60 programs of study and provides training for area business and industry, personal enrichment courses, adult basic education, adult high school programs, remedial and development courses, and community service activities.

The ENC Initiative has lead in the establishment of six Business and Technology Centers in North Carolina. With grant funding, Rutherford County opened Foothills Connect in October 2005 with the goals of creating jobs and stimulating the local entrepreneurship community.

INDEPENDENT AUDIT

The General Statutes of North Carolina require an independent financial audit of all local governments in the state. Gould Killian CPA Group, a firm of independent certified public accountants, has examined the financial records of the county and their opinion is included in this report. Their audit was made in accordance with generally accepted auditing standards and accordingly, included tests of the county's records and any other auditing procedures as they considered necessary. Their unqualified opinion indicates that the accompanying financial statements have been prepared by the county in conformity with generally accepted accounting principles.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Rutherford County for its comprehensive annual financial report for the fiscal year ended June 30, 2004. This was the sixteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENT

Deserving special recognition are the skilled, talented, and dedicated employees - the work force of the County of Rutherford. We also express sincere appreciation to the Board of County Commissioners for their leadership in providing responsible government.

USE OF REPORT

A copy of this report will be made available to various departments of the county, the Local Government Commission, bond rating agencies, state and federal grant agencies and such other institutions expressing an interest in Rutherford County's financial affairs.

A copy of this report will also be placed in the Rutherford County Public Library.

Respectfully submitted,

John W. Condrey
County Manager

Robert W. Bole
Finance Director

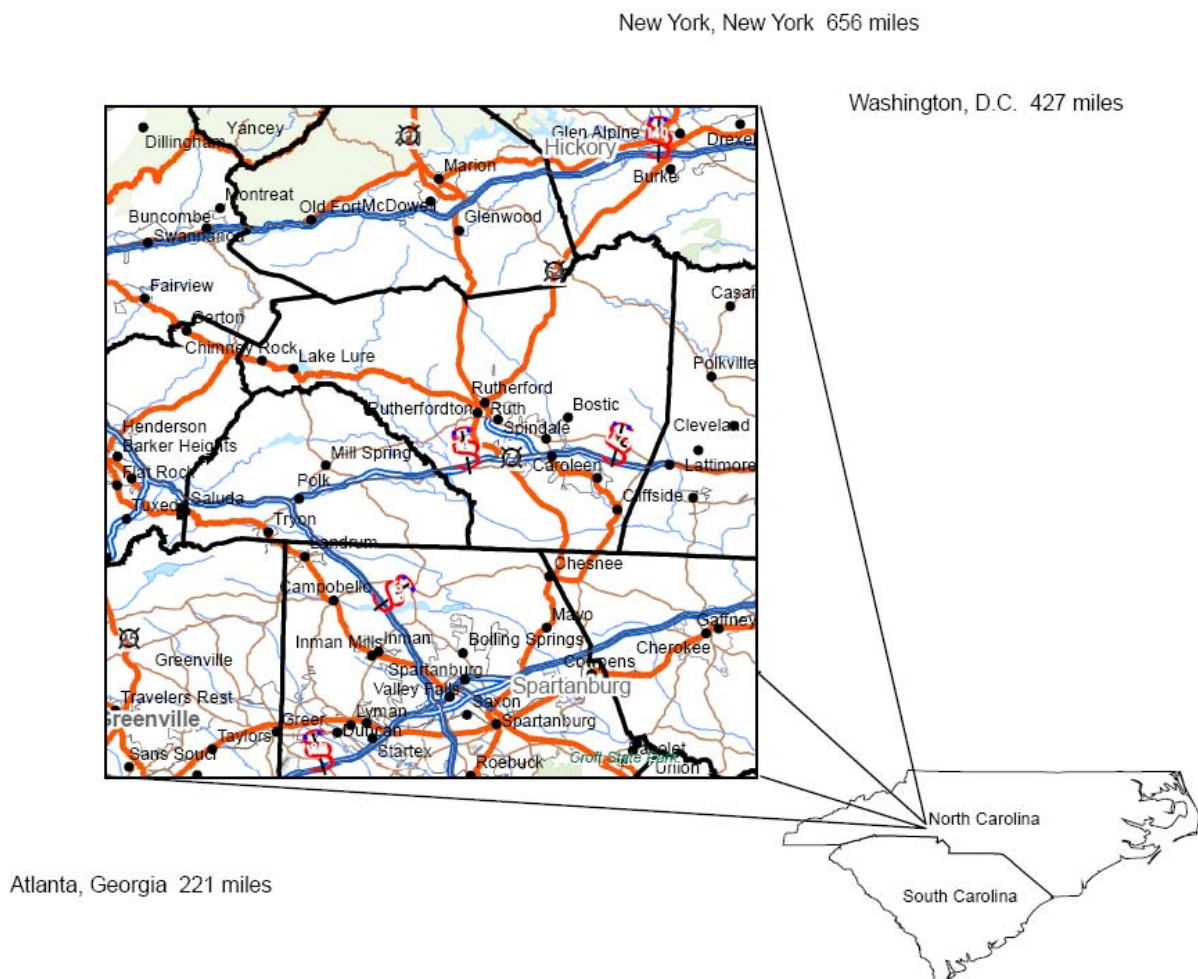
THE COUNTY

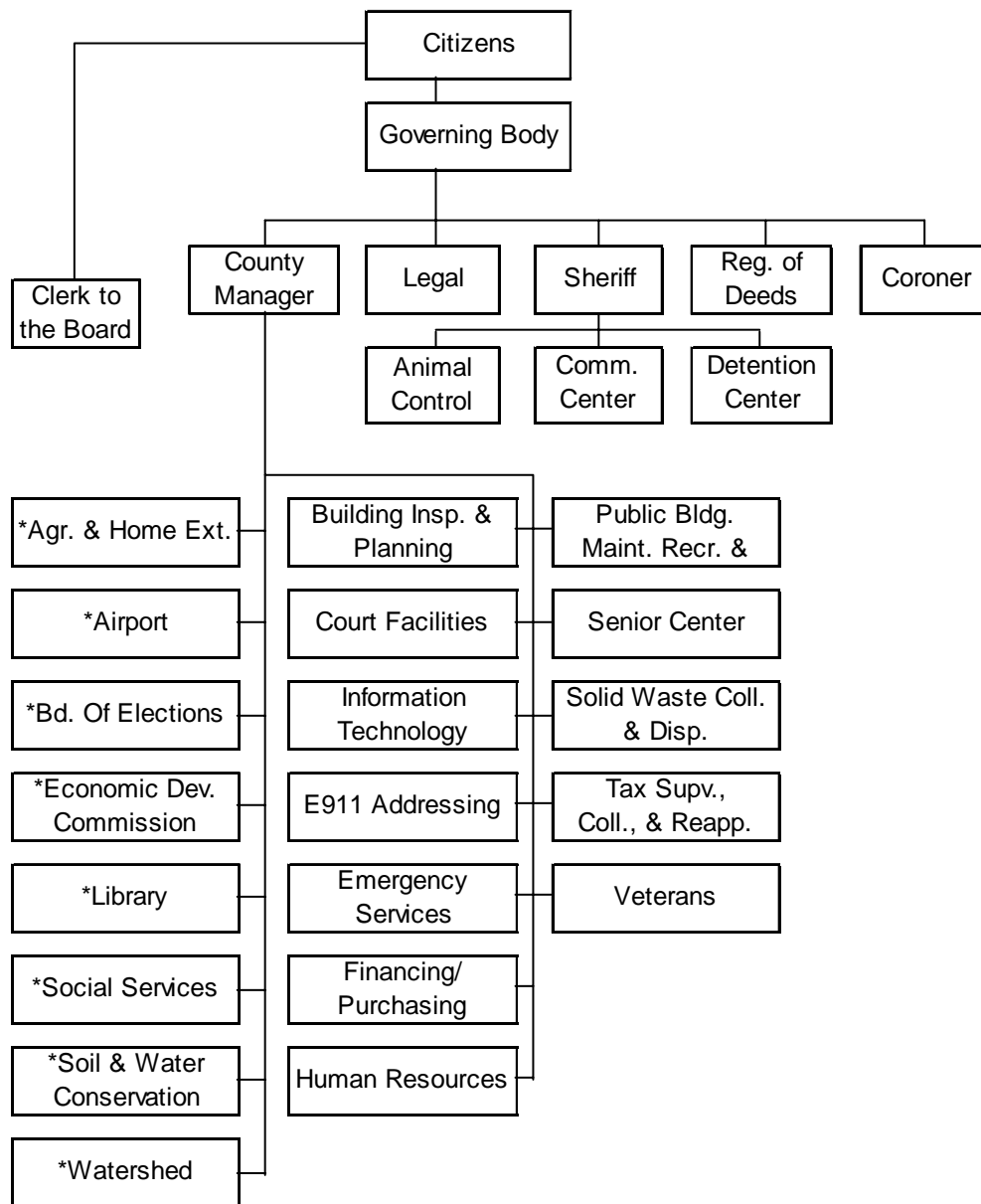
General Description

The County was formed in 1779 from Tryon and named for General Griffith B. Rutherford. The County Comprises approximately 566 square miles and is nestled in the rolling foothills of the Blue Ridge Mountains in the heart of the Thermal Belt. These mountain ranges provide shelter from extreme weather conditions in winter, but have cooling mountain breezes in summer. This moderation of weather and temperatures contribute greatly to the pleasant and peaceful living conditions enjoyed by the County residents.

Located in an urban triangle comprised of Charlotte, North Carolina – 70 miles; Asheville, North Carolina – 45 miles; and Spartanburg, South Carolina – 30 miles, the residents of the County enjoy suburban living while having access to urban facilities.

50 MILE RADIUS





Rutherford County Government

* Appointed in whole or in part by others.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Rutherford,
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehlke

President

Jeffrey R. Enen

Executive Director

RUTHERFORD COUNTY, NORTH CAROLINA

June 30, 2005

Board of County Commissioners

Charles Hill, Chairman

Chivous Bradley, Vice Chairman

Amanda King

Paul McIntosh

Brent Washburn

County Manager

John Condrey

Finance Director

Robert W. Bole

Assistant Finance Director

Paula A. Roach



Gould Killian CPA Group, P.A.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditors' Report

Board of Commissioners
Rutherford County
Rutherfordton, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Rutherford County, North Carolina, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Rutherford County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Rutherford County, North Carolina as of June 30, 2005, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, the schedules of funding progress, employer contributions and the notes to the required schedules for the Law Enforcement Officers' Special Separation allowance, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2005 on our consideration of Rutherford County, North Carolina's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Rutherford County, North Carolina, taken as a whole. The combining and individual fund nonmajor fund and schedules, as well as the accompanying schedule of expenditures of Federal and State awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The information presented in the Statistical Section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 15, 2005

Management's Discussion and Analysis

As management of Rutherford County, we offer readers of Rutherford County's financial statements this narrative overview and analysis of the financial activities of Rutherford County for the fiscal year ended June 30, 2005. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

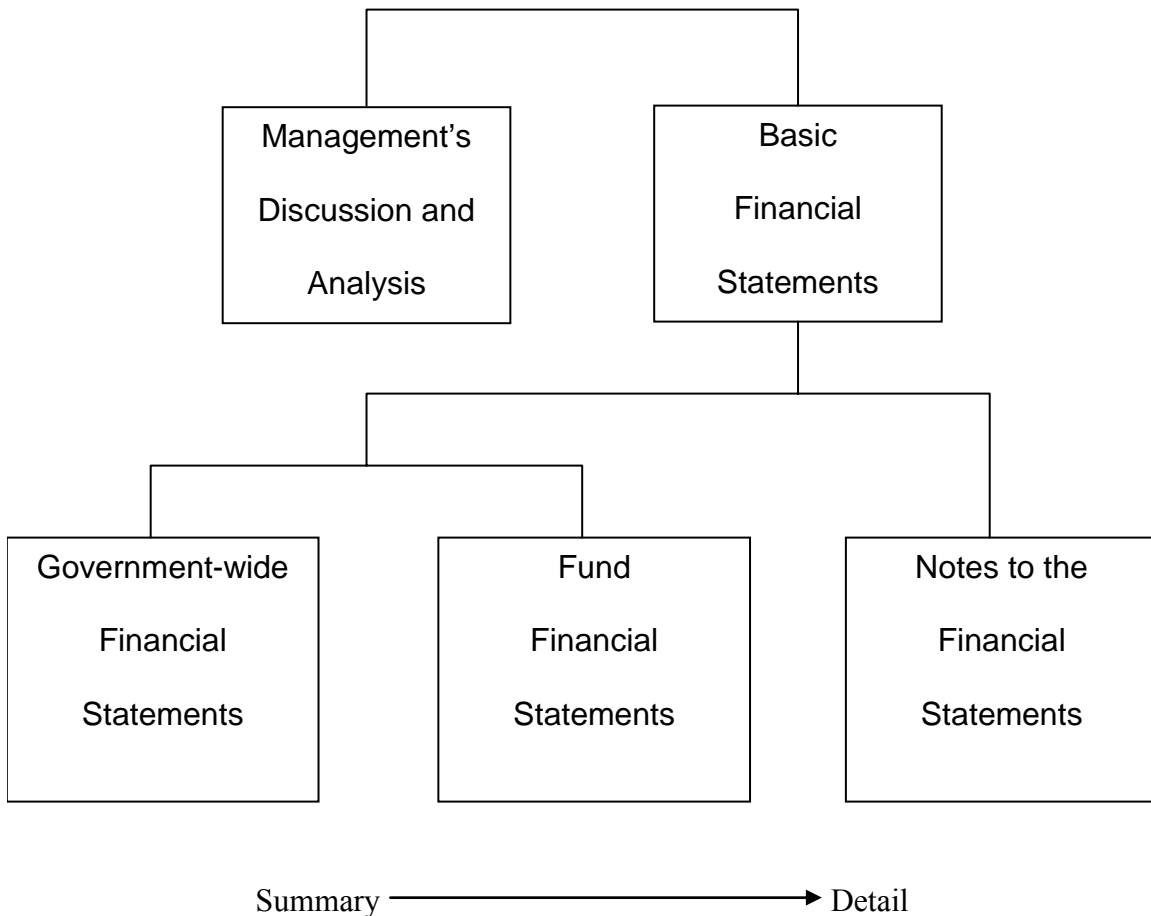
- As of the close of the current fiscal year, Rutherford County's governmental funds reported combined ending fund balances of \$20,258,422, a decrease of \$2,828,756 in comparison with the prior year. The combined fund balance consisted of: general fund - \$12,926,130 compared to \$12,712,316 (2004); capital projects fund - schools - \$1,661,807 compared to \$4,669,181 (2004); non-major special revenue \$5,670,485 compared to \$5,705,681 (2004). Approximately 73 percent of this total amount, or \$14,913,406, is available for spending at the government's discretion (unreserved fund balance). In 2004, the unreserved fund balance was \$17,819,142, or 26 % of expenditures.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$ 9,010,221, or 21.2% of total general fund expenditures. In 2004, unreserved fund balance in the General Fund was \$8,931,431, or 22.4% of total expenditures.
- The liabilities of Rutherford County's governmental activities exceeded its assets at the close of the fiscal year resulting in a deficit of \$7,677,817 (*net assets*). This compares to a June 30, 2004 deficit of \$10,216,030. In accordance with North Carolina law, liabilities of the County include \$33,100,000 in long-term debt associated with assets belonging to the Rutherford County Board of Education. As these assets are not reflected in the County's financial statements and the full amount of the long-term debt is reported, the County reports a net deficit in unrestricted net assets.
- The government's long-term debt decreased by \$3,376,247.
- The government's total net assets increased by \$2,584,505.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Rutherford County's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the fiscal condition of Rutherford County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits 3 through 9) are Fund Financial Statements. These statements focus on the activities of the County and provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The final section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the County's non-major governmental funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about the County's law enforcement officers' pension plan.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gauge the County's financial condition.

The government-wide financial statements are divided into the following three categories:

Governmental activities – These activities of the County include general government, public safety, human services, economic and physical development, education, and cultural and recreation. Property taxes and state and federal grant funds finance most of these activities.

Business-type activities – The County charges fees to recover the costs associated with providing certain services. These activities include solid waste disposal.

Component units – The government-wide financial statements include not only the County of Rutherford itself (known as the primary government), but also a legally separate airport, a legally separate tourism development authority, and a legally separate economic development commission for which the County of Rutherford is financially accountable. Although legally separate from the County, these agencies are important to the County because the County exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the County. Financial information for these component units is reported separately from the financial information for the primary government itself.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Rutherford County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Rutherford County can be divided into three categories: governmental, proprietary and fiduciary funds.

Governmental Funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Rutherford County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – Rutherford County has one type of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Rutherford County uses enterprise funds to account for its landfill operations. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Assets and the Statement of Activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the functions of Rutherford County. The County uses an internal service fund to account for one activity—its self insurance fund. Because this service benefits predominantly governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

Fiduciary Funds – Agency funds are used to account for resources held for the benefit of parties outside the government. Rutherford County has four agency funds. Trust funds are also funds held for the benefit of other parties. Rutherford County has one trust fund.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 16 through 42 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Rutherford County's progress in funding its obligation to provide pension benefits to its law enforcement officers. Required supplementary information can be found beginning on page 43 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The liabilities of Rutherford County exceeded assets by \$4,020,006 as of June 30, 2005. As of June 30, 2004, the net assets of Rutherford County stood at a deficit of (\$6,604,513). The County's net assets increased by \$2,584,508 for the fiscal year ended June 30, 2005, compared to a decrease of \$6,477,330 in 2004. One of the largest portions reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Rutherford County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Rutherford County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. A portion of Rutherford County's net assets (approximately 11.2%) represents resources that are subject to external restrictions on how they may be used. At June 30, 2005, the total net deficit of (\$29,908,046) in unrestricted net assets is primarily attributable to the governmental activities unrestricted deficit balance of (\$31,738,960). In 2004, the amount of net assets invested in capital assets net of related debt was \$4,396,069, with restricted assets standing at \$6,325,190. The remaining deficit balance (\$17,325,772) is unrestricted.

Figure 2**RUTHERFORD COUNTY'S NET ASSETS**

	Governmental Activities		Business-type Activities		Total	Total
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 24,330,489	\$ 27,133,579	\$ 2,369,845	\$ 2,314,048	\$26,700,334	\$29,447,627
Capital assets	25,795,429	23,942,751	2,575,745	2,622,441	28,371,174	26,565,192
Total assets	50,125,918	51,076,330	4,945,590	4,936,489	55,071,508	56,012,819
Long-term liabilities outstanding	54,972,548	58,137,310	2,690,706	1,093,923	57,663,254	59,231,233
Other liabilities	1,231,188	3,156,614	197,072	231,049	1,428,260	3,387,663
Total liabilities	56,203,736	61,293,924	2,887,778	1,324,972	59,091,514	62,618,896
Net assets:						
Invested in capital assets, net of related debt	5,031,401	2,667,572	1,781,898	1,728,497	6,813,299	4,396,069
Restricted	3,342,114	6,325,190	-	-	3,342,114	6,325,190
Unrestricted	(14,451,333)	(19,208,792)	275,914	1,883,020	(14,175,419)	(17,325,772)
Total net assets	\$ (6,077,818)	\$ (10,216,030)	\$ 2,057,812	\$ 3,611,517	\$ (4,020,006)	\$ (6,604,513)

The majority of the governmental activities deficit consists of the school construction debt. As with many counties in the State of North Carolina, the County's deficit in unrestricted net assets is due primarily to the portion of the county's outstanding debt incurred for the County Board of Education (the "school system"). Under North Carolina law, the County is responsible for providing capital funding for the school system. The County has chosen to meet its legal obligation to provide the school system capital funding by using a mixture of county funds, general obligation debt and certificates of participation. The assets funded by the County, however, are owned and utilized by the school system. When the County, as the issuing government, acquires no capital assets, the County incurs a liability without a corresponding increase in assets. Sunshine Elementary is an exception that the County owns the school (currently under construction). At the end of the fiscal year, \$33,100,000 of the outstanding debt on the County's financial statements was related to assets included in the school system's financial statements. Principal and interest requirements will be provided by an appropriation in the year in which they become due.

The decline in total assets and the impact of the inclusion of the school system debt without the corresponding assets were offset by the following positive operational initiatives and results:

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 96.2%. This represents an increase from fiscal year 2004 when the tax collection percentage for the county was 95.4%.
- Register of deeds, building inspection and EMS service revenues increased to positively affect net assets.
- Continued efforts of all departments to minimize costs and efficiently serve our citizens.

Figure 3
RUTHERFORD COUNTY'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	Total
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 3,764,053	\$ 3,685,113	\$3,377,143	\$ 3,440,499	\$ 7,141,196	\$ 7,125,612
Operating grants and contributions	8,864,479	7,962,549	117,345	-	8,981,824	7,962,549
Capital grants and contributions	1,709,923	944,225	-	-	1,709,923	944,225
General revenues:						
Property taxes	25,426,291	25,192,052	-	-	25,426,291	25,192,052
Other taxes	12,378,065	12,866,780	-	-	12,378,065	12,866,780
Other	947,797	1,332,352	35,174	35,788	982,971	1,368,142
Total revenues	53,090,608	51,983,071	3,529,662	3,476,287	56,620,270	55,459,360
Expenses:						
General government	5,467,270	4,544,885	-	-	5,467,270	4,544,885
Public safety	11,402,836	10,821,652	-	-	11,402,836	10,821,652
Environmental protection	124,741	98,217	-	-	124,741	98,217
Economic and physical development	2,512,395	3,134,384	-	-	2,512,395	3,134,384
Human services	14,979,133	13,865,856	-	-	14,979,133	13,865,856
Cultural and recreation	468,023	440,354	-	-	468,023	440,354
Education	13,355,725	23,473,409	-	-	13,355,725	23,473,409
Interest on long-term debt	2,286,910	2,322,059	-	-	2,286,910	2,322,059
Landfill	-	-	3,438,732	3,235,872	3,438,732	3,235,872
Total expenses	50,597,033	58,700,816	3,438,732	3,235,872	54,035,765	61,936,688
Increase (decrease) in net assets before transfers and special items	2,493,575	(6,717,745)	90,930	240,415	2,584,505	(6,477,328)
Transfers	(80,365)	44,635	80,365	(44,635)	-	-
Increase (decrease) in net assets	2,413,210	(6,673,110)	171,295	195,780	2,584,505	(6,477,328)
Net assets, July 1						
As previously reported	(10,216,028)	(3,542,920)	3,611,517	3,415,737	(6,604,511)	(127,183)
Prior period adjustment	1,725,000	-	(1,725,000)	-	-	-
As restated	(8,491,028)	(3,542,920)	1,886,517	3,415,737	(6,604,511)	(127,183)
Net assets, June 30	\$ (6,077,818)	\$(10,216,030)	\$2,057,812	\$ 3,611,517	\$(4,020,006)	\$ (6,604,511)

Governmental activities. Governmental activities increased the County's net assets by \$2,538,213. This compares to a decrease of \$6,673,110 in 2004. The key element of this increase is the completion of school projects that increased capitalized assets. The offsetting assets – the schools – are owned and utilized by the school system as discussed earlier following Figure 2. However, the County holds title to Sunshine Elementary which was completed this year.

Business-type activities: Business-type activities increased Rutherford County's net assets by \$46,295. Key elements of this increase are effective cost management in operation of landfill.

The County established an Enterprise Fund on July 1, 1992 to account for solid waste collection and disposal operations that are financed through solid waste fees. Effective January 1, 1998, the State began requiring that all municipal solid waste (MSW) be placed in a lined landfill. In order to meet this requirement, the County constructed a transfer station and began transporting MSW to a lined landfill outside the County. Studies are currently being conducted on the feasibility of constructing a lined landfill adjacent to our Central Landfill. The County is in the process of applying for a permit with the North Carolina Department of Environment and Natural Resources for this construction. The current contract for MSW transportation out of County expires December 2010.

The County continues to operate a Construction and Demolition (C&D) landfill as C&D is not required to be placed in a lined landfill. The County has established a two-tiered tipping fee system. The tipping fee for C&D is \$25 per ton and the tipping fee for all other commercial industrial waste is \$37 per ton. The household fee is \$100 per household per year. Eight convenience centers and two manned green box sites are now in operation throughout the County.

Financial Analysis of the County's Funds

As noted earlier, Rutherford County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of Rutherford County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Rutherford County's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of Rutherford County. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$7,885,221, while total fund balance reached \$12,926,130. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 18.5 percent of total General Fund expenditures, while total fund balance represents 30.4 percent of that same amount.

At June 30, 2005, the governmental funds of Rutherford County reported a combined fund balance of \$20,258,422, a 12.3 percent decrease as compared to last year. The primary reason for this decrease is the debt proceeds included in the Capital Projects Fund – Schools fund balance reserved for school construction.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Total budget amendments to the General Fund increased revenues by \$637,291. One general fund amendment which was made in Fiscal Year 2004-2005 and is worth noting was an additional \$200,000 for Medicaid expenditures.

Proprietary Funds. Rutherford County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Landfill Fund at the end of the fiscal year amounted to \$1,875,914. The total growth in net assets was \$46,295. Other factors concerning the finances of this fund have already been addressed in the discussion of Rutherford County's business-type activities.

Capital Asset and Debt Administration

Capital assets. Rutherford County's capital assets for its governmental and business – type activities as of June 30, 2005, totals \$28,371,174 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year included the following:

- Purchased new vehicles, emergency management truck and ambulances for Public Safety
- Sunshine Elementary School completed
- Acquired Cone Mills property for cultural and recreation
- Purchased new tire loader and truck for landfill
- Purchased land for new convenience center

Figure 4

RUTHERFORD COUNTY'S CAPITAL ASSETS (net of depreciation)

	Governmental Activities		Business-type Activities		Total	Total
	2005	2004	2005	2004	2005	2004
Land	\$ 1,846,819	\$ 1,524,124	\$ 670,793	\$ 641,261	\$ 2,517,612	\$ 2,165,385
Buildings and system	22,027,783	15,367,050	1,322,391	1,471,360	23,350,174	16,838,410
Improvements other than	61,391	79,692	-	-	61,391	79,692
Machinery and equipment	707,296	493,636	433,564	414,392	1,140,860	908,028
Vehicles and motorized	1,152,140	990,214	148,997	95,428	1,301,137	1,085,642
Construction in progress	-	5,488,034	-	-	-	5,488,034
Total	\$25,795,429	\$23,942,750	\$2,575,745	\$2,622,441	\$28,371,174	\$ 26,565,191

Additional information on the County's capital assets can be found in note 2(E) of the Basic Financial Statements.

Long-term Debt. As of June 30, 2005, Rutherford County had total bonded debt outstanding of \$13,765,000 all of which is debt backed by the full faith and credit of the County. A comparative summary of general obligation and capital lease debt outstanding follows:

Figure 5
Rutherford County's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$13,765,000	\$16,050,000	\$ -	\$ -	\$13,765,000	\$16,050,000
Capital leases	40,099,028	41,090,178	793,847	893,944	40,892,875	41,984,122
Total	<u>\$53,864,028</u>	<u>\$57,140,178</u>	<u>\$ 793,847</u>	<u>\$ 893,944</u>	<u>\$54,657,875</u>	<u>\$ 58,034,122</u>

Rutherford County's total debt decreased by \$3,376,247 (5.8 percent) during the past fiscal year.

The county bond rating for the outstanding general obligation debt is "A2" with Moody Investor Service, "A" with Standard and Poors Corporation and "A+" with Fitch Ratings. The rating for the September 2002 COPS financing is "A3" with Moody Investor Service, "A-" with Standard and Poors Corporation and "A" with Fitch Ratings. The rating process normally rates COPS issues one rate lower than General Obligation issues. This achievement is a primary factor in keeping interest costs low on the County's outstanding debt.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Rutherford County is \$262,335,472. The County has no un-issued authorized bonds at June 30, 2005.

Additional information regarding Rutherford County's long-term debt can be found in note 4 beginning on page 32 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

In 2005, Rutherford County continued to see manufacturing jobs decline; while service sector jobs increased, but at a slower pace. The service sector jobs also are replacing manufacturing jobs at a lower wage rate. Indirect jobs have been created in retail and the restaurant area. Also, 337 new jobs have been created in the last two years with expansions at existing manufacturing plants.

The outlook for 2005 continues to look positive provided the US economy continues its recovery. Activity from new companies considering Rutherford County continues to increase. It must be noted these companies are smaller and wages are lower. This follows the US trend in more rural counties. The technology companies paying higher wages continue to cluster around research universities. Also, residential development continues to grow throughout our County.

Budget Highlights for the Fiscal Year Ending June 30, 2005

Governmental Activities: Property taxes and revenues from permits and fees are expected to lead the increase in revenue projections. Budgeted expenditures in the General Fund are expected to rise by approximately five percent to \$51,164,311. The largest increments are in employee compensation, school appropriations, funds to begin the EMS satellite stations, EDC funding, and Medicaid.

E-NC is a grassroots initiative to encourage all North Carolina citizens to use technology, especially the Internet, to improve their quality of life and their economic prospects. This initiative has lead to the establishment of Business and Technology Centers in North Carolina. Following its opening in October 2005, Rutherford County will be the home of one of the six telecenters statewide. Telecenters were envisioned to serve the following purposes: assist businesses, entrepreneurs, and self-employed individuals; promote the use of technology and the Internet to all sectors of the community; provide technology services and resources to small businesses, community organizations, and individuals; provide training programs and classes, especially as related to technology and the Internet; and provide a public access site. Rutherford County expects this to be a great tool for existing businesses and a recruiting tool for new industries.

Business – type Activities: The rates for landfill services will remain unchanged.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, Rutherford County, 289 North Main Street, Rutherfordton, NC 28139.



Rutherford County, North Carolina
Statement of Net Assets
June 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 16,143,733	\$ 2,010,658	\$ 18,154,391
Receivables (net)	2,803,224	359,187	3,162,411
Due from other governments	3,993,788	-	3,993,788
Inventories	14,218	-	14,218
Prepaid items	179,411	-	179,411
Cash and cash equivalents - restricted	1,196,115	-	1,196,115
Capital assets:			
Land and			
construction in progress	1,846,819	670,793	2,517,612
Other capital assets, net of			
depreciation	23,948,610	1,904,952	25,853,562
Total capital assets	25,795,429	2,575,745	28,371,174
Total assets	50,125,918	4,945,590	55,071,508
LIABILITIES			
Accounts payable and accrued			
expenses	580,779	197,072	777,851
Accrued interest payable	350,043	-	350,043
Unearned revenue	300,366	-	300,366
Long-term liabilities:			
Due within one year	4,854,417	175,094	5,029,511
Due in more than one year	50,118,131	2,515,612	52,633,743
Total liabilities	56,203,736	2,887,778	59,091,514
NET ASSETS			
Invested in capital assets, net of			
related debt	5,031,401	1,781,898	6,813,299
Restricted for:			
Register of Deeds	186,391	-	186,391
Enhanced 911	953,542	-	953,542
Capital projects	2,202,181	-	2,202,181
Unrestricted (deficit)	(14,451,333)	275,914	(14,175,419)
Total net assets	\$ (6,077,818)	\$ 2,057,812	\$ (4,020,006)

Component Units		
<u>Economic Development Commission</u>	<u>Rutherford County Airport Authority</u>	<u>Transit Administration</u>
\$ -	\$ -	\$ 73,271
-	-	-
-	-	47,113
-	-	-
-	-	-
-	-	-
-	423,979	-
-	1,862,216	191,789
-	2,286,195	191,789
-	2,286,195	312,173
-	-	17,516
-	-	-
-	-	-
-	-	-
-	-	-
-	-	17,516
-	2,286,195	191,789
-	-	-
-	-	-
-	-	-
-	-	102,868
<u>\$ -</u>	<u>\$ 2,286,195</u>	<u>\$ 294,657</u>

The accompanying notes are an integral part of these financial statements.

Rutherford County, North Carolina
Statement of Activities
For the Year Ended June 30, 2005

	Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 5,467,270	\$ 568,640	\$ -	\$ 114,050
Public safety	11,402,836	3,112,715	139,588	408,792
Environmental protection	124,741	-	-	26,500
Economic and physical development	2,512,395	-	318,311	1,160,581
Human services	14,979,133	82,698	8,406,580	-
Cultural and recreation	468,023	-	-	-
Education	13,355,725	-	-	-
Interest on long-term debt	2,286,910	-	-	-
Total governmental activities	50,597,033	3,764,053	8,864,479	1,709,923
Business-type activities:				
Solid Waste Disposal	3,438,732	3,377,143	117,345	-
Total business-type activities	3,438,732	3,377,143	117,345	-
	\$ 54,035,765	\$ 7,141,196	\$ 8,981,824	\$ 1,709,923
Component units:				
Economic Development Commission	461,269	-	461,269	-
Rutherford County Airport Authority	147,755	25,334	31,559	166,667
Transit Administration	738,529	410,787	246,042	-
Total component units	\$ 1,347,553	\$ 436,121	\$ 738,870	\$ 166,667
General revenues:				
Taxes:				
Property taxes, levied for general purpose				
Local option sales tax				
Other taxes and licenses				
Investment earnings, unrestricted				
Miscellaneous, unrestricted				
Transfers				
Total general revenues and transfers				
Changes in net assets				
Net assets, beginning:				
As previously reported				
Prior period adjustment				
As restated				
Net assets, ending				

Net (Expense) Revenue and Changes in Net Assets						
Primary Government			Component Units			
Governmental Activities	Business-type Activities	Total	Economic Development Commission	Rutherford County Airport Authority	Transit Administration	
\$ (4,784,580)	\$ -	\$ (4,784,580)				
(7,741,741)	-	(7,741,741)				
(98,241)	-	(98,241)				
(1,033,503)	-	(1,033,503)				
(6,489,855)	-	(6,489,855)				
(468,023)	-	(468,023)				
(13,355,725)	-	(13,355,725)				
(2,286,910)	-	(2,286,910)				
(36,258,578)	-	(36,258,578)				
-	55,756	55,756				
-	55,756	55,756				
(36,258,578)	55,756	(36,202,822)				
			\$ -	\$ -	\$ -	
			-	75,805	-	
			-	-	(81,700)	
			-	75,805	(81,700)	
25,426,291	-	25,426,291	-	-	-	
11,743,695	-	11,743,695	-	-	-	
634,370	-	634,370	-	-	-	
518,211	35,174	553,385	-	-	-	
429,586	-	429,586	-	-	-	
(80,365)	80,365	-	-	-	-	
38,671,788	115,539	38,787,327	-	-	-	
2,413,210	171,295	2,584,505	-	75,805	(81,700)	
(10,216,028)	3,611,517	(6,604,511)	-	2,210,390	376,357	
1,725,000	(1,725,000)	-	-	-	-	
(8,491,028)	1,886,517	(6,604,511)	-	2,210,390	376,357	
\$ (6,077,818)	\$ 2,057,812	\$ (4,020,006)	\$ -	\$ 2,286,195	\$ 294,657	

The accompanying notes are an integral part of these financial statements.



Rutherford County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2005

	General	School Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 9,814,874	\$ 988,599	\$ 4,605,687	\$ 15,409,160
Receivables, net	2,421,057	-	165,929	2,586,986
Due from other governments	3,431,430	64,710	497,648	3,993,788
Prepaid items	179,411	-	-	179,411
Inventories	14,218	-	-	14,218
Cash and cash equivalents - restricted	-	608,498	587,617	1,196,115
Total assets	<u>\$ 15,860,990</u>	<u>\$ 1,661,807</u>	<u>\$ 5,856,881</u>	<u>\$ 23,379,678</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 241,380	\$ -	\$ 52,964	\$ 294,344
Unearned revenue	285,818	-	14,548	300,366
Deferred revenue	2,407,662	-	118,882	2,526,544
Total liabilities	<u>2,934,860</u>	<u>-</u>	<u>186,394</u>	<u>3,121,254</u>
Fund balances:				
Reserved for:				
Inventories and prepaid items	193,629	-	-	193,629
State statute	3,444,362	64,710	287,753	3,796,825
Court facilities	277,918	-	-	277,918
Register of Deeds	-	-	173,144	173,144
Enhanced 911	-	-	903,503	903,503
Unreserved	9,010,221	1,597,097	-	10,607,318
Unreserved, reported in nonmajor:				
Special revenue funds	-	-	3,701,003	3,701,003
Capital projects funds	-	-	605,084	605,084
Total fund balances	<u>12,926,130</u>	<u>1,661,807</u>	<u>5,670,487</u>	<u>20,258,424</u>
Total liabilities and fund balances	<u>\$ 15,860,990</u>	<u>\$ 1,661,807</u>	<u>\$ 5,856,881</u>	

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	25,795,429
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	216,237
Internal service funds are used by management to charge the costs of self-insurance. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets.	448,139
Liabilities for earned but deferred revenues in fund statements.	2,526,544
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note 1).	(55,322,591)
Net assets of governmental activities	<u>\$ (6,077,818)</u>

The accompanying notes are an integral part of this financial statement.

Rutherford County, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
June 30, 2005

	General	School Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Ad valorem taxes	\$ 24,286,479	\$ -	\$ 1,298,965	\$ 25,585,444
Local option sales taxes	11,152,217	-	591,478	11,743,695
Other taxes and licenses	-	-	255,577	255,577
Restricted intergovernmental	8,094,192	61,184	2,679,342	10,834,718
Permits and fees	1,151,302	-	-	1,151,302
Sales and services	2,091,356	-	608,733	2,700,089
Investment earnings	370,118	35,437	67,906	473,461
Miscellaneous	356,351	55,761	-	412,112
Total revenues	<u>47,502,015</u>	<u>152,382</u>	<u>5,502,001</u>	<u>53,156,398</u>
EXPENDITURES				
Current:				
General government	5,064,715	-	638,840	5,703,555
Public safety	8,701,304	-	2,775,039	11,476,343
Environmental protection	113,773	-	8,811	122,584
Economic and physical development	718,184	-	1,725,225	2,443,409
Human services	14,791,299	-	-	14,791,299
Cultural and recreational	424,877	-	-	424,877
Intergovernmental:				-
Education	12,081,683	-	-	12,081,683
Capital outlay	-	3,233,214	47,963	3,281,177
Debt service:				
Principal	556,260	-	3,733,899	4,290,159
Interest and other charges	9,702	-	2,419,010	2,428,712
Total expenditures	<u>42,461,797</u>	<u>3,233,214</u>	<u>11,348,787</u>	<u>57,043,798</u>
Revenues over (under) expenditures	<u>5,040,218</u>	<u>(3,080,832)</u>	<u>(5,846,786)</u>	<u>(3,887,400)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	397,635	73,458	11,820,951	12,292,044
Transfers to other funds	(6,063,548)	-	(6,308,861)	(12,372,409)
Proceeds from debt	839,509	-	299,500	1,139,009
Total other financing sources and uses	<u>(4,826,404)</u>	<u>73,458</u>	<u>5,811,590</u>	<u>1,058,644</u>
Net changes in fund balances	213,814	(3,007,374)	(35,196)	(2,828,756)
Fund balances, beginning	12,712,316	4,669,181	5,705,683	23,087,180
Fund balances, ending	<u>\$ 12,926,130</u>	<u>\$ 1,661,807</u>	<u>\$ 5,670,487</u>	<u>\$ 20,258,424</u>

Exhibit 4

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ (2,828,756)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,868,783
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	76,487
The net revenue of the internal service fund is reported with governmental activities.	131,231
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	3,276,150
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(110,685)</u>
Total changes in net assets of governmental activities	<u>\$ 2,413,210</u>

The accompanying notes are an integral part of this financial statement.



Rutherford County, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – General Fund
For the Year Ended June 30, 2005

	General Fund			Variance With Final Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Ad valorem taxes	\$ 24,182,970	\$ 24,182,970	\$ 24,286,479	\$ 103,509
Local option sales taxes	10,777,691	10,777,691	11,152,217	374,526
Restricted intergovernmental	7,883,247	8,244,737	8,094,192	(150,545)
Permits and fees	1,015,600	1,015,600	1,151,302	135,702
Sales and services	2,135,206	2,314,039	2,091,356	(222,683)
Investment earnings	158,000	158,000	370,118	212,118
Miscellaneous	254,531	351,499	356,351	4,852
Total revenues	<u>46,407,245</u>	<u>47,044,536</u>	<u>47,502,015</u>	<u>457,479</u>
Expenditures:				
Current:				
General government	5,375,701	5,423,558	5,064,715	358,843
Public safety	8,630,647	8,848,615	8,701,304	147,311
Environmental protection	118,667	118,667	113,773	4,894
Economic and physical development	825,281	756,416	718,184	38,232
Human services	14,645,231	15,504,455	14,791,299	713,156
Cultural and recreational	408,398	425,857	424,877	980
Contingency	125,000	-	-	-
Intergovernmental:				
Education	12,094,083	12,094,083	12,081,683	12,400
Total current expenditures	<u>42,223,008</u>	<u>43,171,651</u>	<u>41,895,835</u>	<u>1,275,816</u>
Debt service:				
Principal retirement			556,260	
Interest and other charges			9,702	
Total debt service	<u>565,978</u>	<u>565,978</u>	<u>565,962</u>	<u>16</u>
Total expenditures	<u>42,788,986</u>	<u>43,737,629</u>	<u>42,461,797</u>	<u>1,275,832</u>
Revenues over (under) expenditures	<u>3,618,259</u>	<u>3,306,907</u>	<u>5,040,218</u>	<u>1,733,311</u>
Other financing sources (uses):				
Transfers from other funds	495,000	539,635	397,635	(142,000)
Transfers to other funds	(6,082,749)	(6,244,093)	(6,063,548)	180,545
Proceeds from capital lease	911,855	856,459	839,509	(16,950)
Appropriated fund balances	1,057,635	1,541,092	-	(1,541,092)
Total other financing sources (uses)	<u>(3,618,259)</u>	<u>(3,306,907)</u>	<u>(4,826,404)</u>	<u>(1,519,497)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	213,814	<u>\$ 213,814</u>
Fund balances:				
Beginning of year, July 1			12,712,316	
End of year, June 30			<u>\$ 12,926,130</u>	

The accompanying notes are an integral part of this financial statement.

Rutherford County, North Carolina
Statement of Net Assets
Proprietary Funds
June 30, 2005

	<u>Enterprise Fund</u>	
	Solid Waste Disposal Fund	Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,010,658	\$ 734,573
Receivables, net	359,187	-
Total current assets	<u>2,369,845</u>	<u>734,573</u>
Capital assets:		
Land, improvements, and construction in progress	670,793	-
Other capital assets, net of depreciation	<u>1,904,952</u>	<u>-</u>
Total capital assets	<u>2,575,745</u>	<u>-</u>
 Total noncurrent assets	 <u>2,575,745</u>	 <u>-</u>
 Total assets	 <u>4,945,590</u>	 <u>734,573</u>
 LIABILITIES		
Current liabilities:		
Accounts payable	197,072	286,434
Current portion of long-term liabilities	<u>175,094</u>	<u>-</u>
Total current liabilities	<u>372,166</u>	<u>286,434</u>
Noncurrent liabilities:		
Accrued landfill closure and postclosure care costs	1,827,186	-
Long-term debt	<u>688,426</u>	<u>-</u>
Total noncurrent liabilities	<u>2,515,612</u>	<u>-</u>
Total liabilities	<u>2,887,778</u>	<u>286,434</u>
 NET ASSETS		
Invested in capital assets, net of related debt	1,781,898	-
Unrestricted	<u>275,914</u>	<u>448,139</u>
Total net assets	<u>\$ 2,057,812</u>	<u>\$ 448,139</u>

The accompanying notes are an integral part of this financial statement.

Rutherford County, North Carolina
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2005

	<u>Enterprise Fund</u>	
	Solid	
	Waste	Internal
	Disposal	Service
	Fund	Fund
	<u> </u>	<u> </u>
OPERATING REVENUES		
Charges for services	\$ 3,277,273	\$ 2,668,372
Miscellaneous	197,921	-
Total operating revenues	<u>3,475,194</u>	<u>2,668,372</u>
 OPERATING EXPENSES		
Salaries, wages, and fringe benefits	1,022,592	-
Maintenance and repairs	62,800	-
Other operating expenses	2,016,405	2,537,141
Landfill closure and postclosure care costs	6,501	-
Depreciation	265,505	-
Total operating expenses	<u>3,373,803</u>	<u>2,537,141</u>
Operating income	<u>101,391</u>	<u>131,231</u>
 NONOPERATING REVENUES (EXPENSES)		
Interest and investment revenue	35,174	-
Interest and other charges	(45,635)	-
Total nonoperating revenue (expenses)	<u>(10,461)</u>	<u>-</u>
Income before transfers	90,930	131,231
Transfers from (to) other funds	80,365	-
Changes in net assets	<u>171,295</u>	<u>131,231</u>
 Total net assets, beginning:		
As previously reported	3,611,517	316,908
Prior period adjustment	(1,725,000)	-
As restated	<u>1,886,517</u>	<u>316,908</u>

The accompanying notes are an integral part of this financial statement.

Rutherford County, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

	<u>Enterprise Fund</u>	
	<u>Solid</u>	
	<u>Waste</u>	<u>Internal</u>
	<u>Disposal</u>	<u>Service</u>
	<u>Fund</u>	<u>Fund</u>
Cash flows from operating activities:		
Cash received from customers	\$ 3,525,274	\$ -
Cash paid to employees for services	(798,756)	2,669,939
Cash paid for goods and services	(2,371,639)	(2,398,828)
Net cash provided by operating activities	<u>354,879</u>	<u>271,111</u>
Cash flows from noncapital financing activities:		
Transfers in	<u>80,365</u>	<u>-</u>
Net cash used by noncapital financing activities	<u>80,365</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(238,104)	-
Sale of capital assets	19,294	
Principal paid on long-term debt	(100,097)	-
Interest paid on long-term debt	(45,635)	-
Net cash used by capital and related financing activities	<u>(364,542)</u>	<u>-</u>
Cash flows from investing activities:		
Repayment of advances to other funds	-	-
Interest on investments	<u>35,174</u>	<u>-</u>
Net cash provided by investing activities	<u>35,174</u>	<u>-</u>
Net increase in cash and cash equivalents	105,876	271,111
Cash and cash equivalents, beginning of year	1,904,782	463,462
Cash and cash equivalents, end of year	<u>\$ 2,010,658</u>	<u>\$ 734,573</u>

	<u>Enterprise Funds</u>	
	Solid	
	Waste	Internal
	Disposal	Service
	Fund	Fund
	<u> </u>	<u> </u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 101,391	\$ 131,231
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	265,505	-
Landfill closure and postclosure care costs	(28,217)	-
Changes in assets and liabilities:		
(Increase) decrease in receivables	50,080	1,567
Increase (decrease) in accounts payable and accrued liabilities	(33,880)	138,313
Total adjustments	<u>253,488</u>	<u>139,880</u>
Net cash provided by operating activities	<u>\$ 354,879</u>	<u>\$ 271,111</u>

Rutherford County, North Carolina
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	Agency Funds	Trust Fund
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 237,976	\$ 980,124
	<u>237,976</u>	<u>980,124</u>
LIABILITIES		
Accounts payable	160,453	-
Due to other taxing units	77,523	-
	<u>237,976</u>	<u>-</u>
NET ASSETS		
Held in trust for pension benefits - health insurance	<u>\$ -</u>	<u>\$ 980,124</u>

The accompanying notes are an integral part of this financial statement.

RUTHERFORD COUNTY, NORTH CAROLINA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the year ended June 30, 2005

	<u>Trust Fund</u>
Additions	
Interest earnings	<u>\$ 15,242</u>
Total additions	<u>15,242</u>
Deductions	
Benefits	34,264
Administrative expenses	<u>9,991</u>
Total deductions	<u>44,255</u>
Changes in net assets	(29,013)
Net assets, beginning	<u>1,009,137</u>
Net assets, ending	<u><u>\$ 980,124</u></u>

RUTHERFORD COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2005

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Rutherford County and its discretely presented component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

(A) Reporting Entity

The County, which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component units, legally-separate entities for which the County is financially accountable. One component unit of the County has no financial transactions or account balances; therefore, it does not appear in the basic financial statements.

Rutherford County Industrial Facility and Pollution Control Financing Authority

The Rutherford County Industrial Facility and Pollution Control Financing Authority ("Authority") exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority is governed by a seven-member board of commissioners, all of whom are appointed by the County Commissioners. The County can remove any commissioner of the Authority with or without cause. The Authority has no financial transactions or account balances; therefore, it is not presented in the financial statements. The Authority does not issue separate financial statements.

The three discretely presented component units discussed below are reported in separate columns in the County's government-wide financial statements in order to emphasize that they are legally separate from the County.

Economic Development Commission and Rutherford County Airport Authority

The County appoints a majority of the Board of Directors of the Economic Development Commission ("Commission") and the Rutherford County Airport Authority ("Authority"). Operations of the Commission and Authority are budgeted and administered as a part of the general fund. The Commission and Authority do not issue separate financial statements. The Statement of Net Assets and Statement of Activities for these two governmental activity component units are discretely presented in separate columns in the government-wide financial statements.

Rutherford County Transit Administration

The Rutherford County Transit Administration, Inc. ("Transit Administration") is a non-profit corporation organized to coordinate and provide the most cost effective method of transportation services for Rutherford County. The County appoints a majority of the Board of Directors for the Transit Administration and is able to impose its will on the Transit Administration. The Transit Administration, which has a June 30 year-end, is presented as if it were a business activity component unit. The Transit Administration does not issue separate financial statements. The Statement of Net Assets and Statement of Activities include a separate column for this business-type activity.

(B) Basis of Presentation – Basis of Accounting**Basis of Presentation, Measurement Focus - Basis of Accounting**

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

School Capital Projects. This fund accounts for the construction of local public schools. Sales tax, general obligation bonds, and certificates of participation are used to finance these projects. Once constructed, with the exception of Sunshine Elementary, the assets have been capitalized by the local school units.

The County reports the following major enterprise fund:

Solid Waste Fund. This fund accounts for the solid waste collection and disposal operations and is financed with user fees.

The County also reports the following fund types:

Internal Service Fund. The internal service fund is used to account for the accumulation and allocation of costs associated with the County's self-insured group health and dental insurance programs.

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; the Agriculture Department Advisory Council Fund, which accounts for monies deposited for the benefit of the Council; the Cities Tax Collection Fund, which accounts for property taxes that are billed and collected by the County for various municipalities and special districts within the County; and the Detention Center Commissary Fund, which accounts for monies deposited with the County for the benefit of inmates.

Trust Funds. The mental health retiree insurance trust fund is used to account for medical expenses incurred for the mental health retirees as established January 1, 2004.

Measurement Focus, Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary fund and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Rutherford County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2004 through February 2005 apply to the fiscal year ended June 30, 2005. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. For motor vehicles that are renewed and billed under the annual system, taxes are due on May 1 of each year and the uncollected taxes are reported as a receivable on the financial statements offset by deferred revenues because the due date and the date upon which the interest begins to accrue passed prior to June 30. The taxes for renewal vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2005 because they are intended to finance the County's operations during the 2005 fiscal year.

Sales taxes collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities and enterprise funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

The County has implemented GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and related standards. These new standards provide for significant changes in terminology and presentation and for the inclusion of Management's Discussion and Analysis as required supplementary information.

(C) **Budgetary Data**

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the general, the special revenue, the debt service and enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the capital projects funds. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the functional level for the general fund, at the departmental level for the special revenue and proprietary funds, and at the object level for the capital projects funds. All amendments at the functional level must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material.

A budget calendar is included in the North Carolina General Statutes which prescribes the last day on which certain steps of the budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

April 30 - Each department head will transmit to the budget officer the budget requests and revenue estimates for their department for the budget year.

June 1 - The budget and the budget message shall be submitted to the governing board. The public hearing on the budget should be scheduled at this time.

July 1 - The budget ordinance shall be approved by the governing board.

(D) **Assets, Liabilities, and Fund Equity**

(1) **Deposits and Investments**

The deposits of the County and Transit Administration are made in board-designated official depositories and are secured as required by G.S. 159-31. The County and Transit Administration may designate, as an official depository, any bank, or savings association whose principal office is located in North Carolina. The County and Transit Administration may also establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law (G.S. 159-30(c)) authorizes the County and Transit Administration to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The County and Transit Administration's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund are valued at fair value, which is the NCCMT's share price. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings and investment contracts are reported at amortized cost.

(2) **Cash and Cash Equivalents**

The County pools money from several funds to facilitate disbursement and investment and maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

(3) **Restricted Assets**

Cash and cash equivalents held in escrow are restricted as follows:

Reserved for school construction	\$ 608,498
Reserved for county buildings construction	587,617
	<u>\$ 1,196,115</u>

(4) Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on July 1, the beginning of the fiscal year. The taxes are due on September 1; however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2004. As allowed by State law, the County has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

(5) Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

(6) Inventory

The inventories of the County are valued at cost (first-in, first-out), which approximates market. The inventories are held for consumption and the costs are recorded as an expenditure when consumed.

(7) Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization cost is \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Rutherford County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Rutherford County Board of Education.

Capital assets of the County are depreciated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	50
Improvements	25
Furniture and equipment	10
Vehicles	6
Computer equipment	3

(8) Long-Term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as another financing source.

(9) **Compensated Absences**

The vacation policies of the County provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The sick leave policies of the County provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since none of the entities have any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County or its component units.

(10) **Net Assets/Fund Balances**

Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts the appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved

Reserved for inventories and prepaid items - portion of fund balance not available for appropriation because it represents the year-end fund balance of ending inventories and prepaid items, which are not expendable, available resources.

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables that are not offset by deferred revenues.

Reserved for Court Facilities – portion of fund balance available for court facilities.

Reserved for register of deeds – portion of fund balance available to pay for computer and imaging technology in the office of the register of deeds.

Reserved for Enhanced 911 expenditures – portion of fund balance available for lease, purchase or maintenance of emergency telephone equipment for the enhanced 911 systems (including necessary computer hardware, software and data base provisioning), the nonrecurring cost of establishing a wireless enhanced 911 system, and rates associated with the local telephone companies' charges related to the operation of the enhanced 911 system.

Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2005-2006 budget ordinance.

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

(E) **Reconciliation of Government-wide and Fund Financial Statements**

- (1) Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of (\$27,936,241) consists of several elements as follows:

- (2) Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities the governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$5,366,967 as follows:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in the governmental activities column)	\$ 38,571,979
Less Accumulated Depreciation	(12,776,550)
Net capital assets	25,795,429
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are not available and therefore deferred in the fund statements.	216,237
Net revenue of the internal service fund is reported with governmental	448,139
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide.	2,526,544
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Bonds, leases, and installment financing	(53,864,028)
Compensated absences and pension	(1,108,520)
Accrued interest payable	(350,043)
Total adjustment	<u>\$ (26,336,242)</u>

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of net assets	\$ 3,323,291
Depreciation expense, the allocation of those assets over their useful lives that is recorded on the statement of activities but not in the fund statements.	(1,454,508)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net assets	(1,139,009)
Internal service funds are used by management to charge the costs of self-insurance. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets	131,231
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements	4,415,159
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	(3,289)
Pension obligations are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(16,104)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(91,292)

Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:

Reversal of deferred interest revenue recorded at July 1, 2004	(174,488)
Recording of interest revenue deferred in fund statements at June 30, 2005	216,238
Reversal of deferred tax revenue recorded at July 1, 2004	(1,784,138)
Recording of tax receipts deferred in the fund statements as of June 30, 2005	1,627,989
Reversal of other deferred revenue recorded at July 1, 2004	(707,668)
Recording of other revenues deferred in fund statements at June 30, 2005	<u>898,554</u>
Total adjustment	<u>\$ 5,241,966</u>

(F) Comparative Data/Reclassifications

Comparative total data for the prior year has been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the County's financial position and operations. Comparative totals have not been included on the statements where their inclusion would not provide enhanced understanding of the County's financial position and operations or would cause the statements to be unduly complex or difficult to understand. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

Note 2 - Assets**(A) Deposits**

All of the County and Transit Administration's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County and Transit Administration's agents in those units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County and Transit Administration, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County, Transit Administration, or the escrow agent. Because of the inability to measure, the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The County and Transit Administration do not have policies regarding custodial credit risk for deposits.

At June 30, 2005, the County's deposits had a carrying amount of \$4,298,340 and a bank balance of \$5,233,302. Of the bank balance, \$400,000 was covered by federal depository insurance, and \$4,833,302 in interest bearing deposits were covered by collateral held under the Pooling Method.

The County also had petty cash on hand at June 30, 2005 of \$1,490.

The Transit Administration's deposits had a carrying amount and bank balance of \$73,271 all of which was covered by federal depository insurance.

(B) Investments

At June 30, 2005, the County's investments consisted of \$16,432,050 in the North Carolina Capital Cash Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The County has no policy on credit risk.

(C) Property Tax-Use-Value Assessment on Certain Lands

In accordance with the general statutes, agriculture, horticulture and forestland may be taxed by the County at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 411,244	\$ 97,670	\$ 508,914
2003	431,490	63,645	495,135
2004	448,564	25,792	474,356
2005	450,612	—	450,612
Total	<u>\$ 1,741,910</u>	<u>\$ 187,107</u>	<u>\$ 1,929,017</u>

(D) **Receivables**

	Accounts	Taxes and Related Accrued Interest	Special Assessments	Due from Governments	Other	Total
Governmental Activities:						
General	\$ 2,006,791	\$ 2,086,109	\$ -	\$ 3,431,431	\$ -	\$7,524,331
Other Governmental	47,047	118,882	-	562,357	-	728,286
Total receivables	2,053,038	2,204,991		3,993,788		8,252,617
Allowance for doubtful accounts	1,094,843	577,000	-	-	-	1,671,843
Total-governmental activities	\$ 958,995	\$ 1,627,991	\$ -	\$ 3,993,788	\$ -	\$6,580,774
Business-type Activities:						
Solid waste	\$ 380,187	\$ -	\$ -	\$ -	\$ -	\$ 380,187
Total receivables	380,187	-	-			380,187
Allowance for doubtful accounts	21,000	-	-	-	-	21,000
Total - business-type activities	\$ 359,187	\$ -	\$ -	\$ -	\$ -	\$ 359,187

The due from other governments that is owed to the County consists of the following:

Local option sales tax	\$3,111,397
Other	882,391
Total	<u>\$3,993,788</u>

(E) Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

Primary Government

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,524,124	\$ 322,695	-	\$ 1,846,819
Construction in progress	5,488,034		5,488,034	-
Total capital assets not being depreciated	7,012,158	322,695	5,488,034	1,846,819
Capital assets being depreciated:				
Buildings	21,665,454	7,372,099	-	29,037,553
Other improvements	486,697	-	-	486,697
Equipment	2,867,489	487,117	-	3,354,606
Vehicles	3,905,247	629,414	688,357	3,846,304
Total capital assets being depreciated	28,924,887	8,488,630	688,357	36,725,160
Less accumulated depreciation for:				
Buildings	6,298,404	711,366	-	7,009,770
Other improvements	407,005	18,301	-	425,306
Equipment	2,373,853	273,457	-	2,647,310
Vehicles	2,915,033	451,384	672,253	2,694,164
Total accumulated depreciation	11,994,295	1,454,508	672,253	12,776,550
Total capital assets being depreciated, net	16,930,592			23,948,610
Governmental activities capital assets, net	<u>\$ 23,942,750</u>			<u>\$ 25,795,429</u>
Business-type activities:				
Solid Waste Disposal				
Capital assets not being depreciated:				
Land	\$ 641,261	29,532	-	\$ 670,793
Total capital assets not being depreciated	641,261	29,532	-	670,793
Capital assets being depreciated:				
Buildings and improvements	2,622,776	-	-	2,622,776
Equipment	1,400,254	105,369	-	1,505,623
Vehicles	418,913	103,203	98,954	423,162
Total capital assets being depreciated	4,441,943	208,572	98,954	4,551,561
Less accumulated depreciation for:				
Buildings and improvements	1,151,416	148,969	-	1,300,385
Equipment	985,862	86,197	-	1,072,059
Vehicles	323,485	30,339	79,659	274,165
Total accumulated depreciation	2,460,763	265,505	79,659	2,646,609
Total capital assets being depreciated, net	1,981,180			1,904,952
Solid Waste Disposal capital assets, net	<u>\$ 2,622,441</u>			<u>\$ 2,575,745</u>

Depreciation Expense:

Governmental activities:

General Government	\$ 319,624
Public Safety	651,844
Economic and physical development	50,907
Environmental Protection	2,274
Human services	187,945
Cultural and recreational	44,239
Education	197,675
Total depreciation expense	<u>\$ 1,454,508</u>

Business-type activities:

Solid Waste Disposal	\$ 265,505
	<u>\$ 265,505</u>

Discretely presented component units

Airport

Capital assets not being depreciated:

Land	\$ 423,979	-	-	\$ 423,979
Total capital assets not being depreciated	423,979	-	-	423,979

Capital assets being depreciated:

Buildings and improvements	2,455,568	166,667	-	2,622,235
Equipment	84,493	-	-	84,493
Total capital assets being depreciated	2,540,061	166,667	-	2,706,728

Less accumulated depreciation for:

Buildings and improvements	669,157	90,862	-	760,019
Equipment	84,493	-	-	84,493
Total accumulated depreciation	753,650	90,862	-	844,512

Total capital assets being depreciated, net

Rutherford County Regional Airport capital assets, net	<u>\$ 2,210,390</u>			<u>\$ 2,286,195</u>
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Transit

Capital assets being depreciated:

Equipment	\$ 17,167	-	-	\$ 17,167
Vehicles	887,799	16,361	113,583	790,577
Total capital assets being depreciated	904,966	16,361	113,583	807,744

Less accumulated depreciation for:

Equipment	15,680	849		16,529
Vehicles	613,496	99,513	113,583	599,426
Total accumulated depreciation	629,176	100,362	113,583	615,955

Total capital assets being depreciated, net

Rutherford County Transit Administration capital assets, net	<u>\$ 275,790</u>			<u>\$ 191,789</u>
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Note 3 - Liabilities**(A) Payables**

Payables at the government-wide level at June 30, 2005, were as follows:

	Vendors	Salaries and Accrued Benefits	Interest	Total
Governmental Activities				
General	\$ 241,378	\$ —	\$ 350,043	\$ 591,421
Other Governmental	339,400	—	—	339,400
Total-governmental activities	<u>\$ 580,778</u>	<u>\$ —</u>	<u>\$ 350,043</u>	<u>\$ 930,821</u>
Business-type Activities				
Solid waste	\$ 170,768	\$ 26,304	\$ —	\$ 197,072
Total - business-type activities	<u>\$ 170,768</u>	<u>\$ 26,304</u>	<u>\$ —</u>	<u>\$ 197,072</u>

(B) Pension Plan Obligations**North Carolina Local Governmental Employees' Retirement System**

Plan Description: The County and component units contribute to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy: Plan members are required to contribute six percent of their annual covered salary. The County, Rutherford County Transit Administration, and Economic Development Commission are required to contribute at an actuarially determined rate. For County employees not engaged in law enforcement, Rutherford County Transit Administration employees, and Economic Development Commission employees, the current rate is 4.93% of annual covered payroll. For County law enforcement officers the current rate is 4.78% of annual covered payroll. The contribution requirements of members and of the County, Rutherford County Transit Administration, and Economic Development Commission are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2005, 2004, and 2003 were \$1,191,082, \$1,102,837, and \$1,080,591 respectively. The Rutherford County Transit Administration's contributions to LGERS for the years ended June 30, 2005, 2004, and 2003 were \$19,311, \$15,647, and \$15,301, respectively. The Economic Development Commission's contributions to LGERS for the years ended June 30, 2005, 2004, and 2003 were \$15,115, \$14,682, and \$14,124, respectively. The contributions made by the County, Rutherford County Transit Administration, and Economic Development Commission equaled the required contributions for the year.

Law Enforcement Officers Special Separation Allowance

Plan Description: The County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases

in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. There are no separately reported pension trust fund financial statements as it is being funded by a pay-as-you-go basis and no assets have been accumulated.

All full-time law enforcement officers of the County are covered by the Separation Allowance. At December 31, 2004, the Separation Allowance's membership consisted of:

Retirees receiving benefits	6
Active plan members	<u>59</u>
Total	<u>65</u>

Summary of Significant Accounting Policies:

- a. *Basis of Accounting:* The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.
- b. *Method Used to Value Investments:* No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions: the County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2004 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included: (a) 7.25% investment rate of return (net of administrative expenses); and (b) projected salary increases ranging from 5.9% to 9.8% per year. Item (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2004 was 26 years.

Annual Pension Cost and Net Pension Obligation: The County's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 71,083
Interest on net pension obligation	18,609
Adjustment to annual required contribution	<u>(14,399)</u>
Annual pension cost	75,293
Contributions made	<u>55,199</u>
Increase in net pension obligation	20,094
Net pension obligation beginning of year	<u>256,679</u>
Net pension obligation end of year	<u>\$ 276,773</u>

Three Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/05	\$ 75,293	73.31%	\$ 276,773
6/30/04	68,524	63.05%	256,679
6/30/03	65,728	40.31%	231,359

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description: the County contributes to the Supplemental Retirement Income Plan (the Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy: Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2005 were \$137,667, which consisted of \$112,369 from the County and \$25,298 from the law enforcement officers.

Supplemental Retirement Income Plan for General Employees

Plan Description: The County, Rutherford County Transit Administration, and Economic Development Commission voluntarily contribute to the Supplemental Retirement Income Plan for all full-time non-law enforcement employees.

Funding Policy: The County, Rutherford County Transit Administration, and Economic Development Commission contribute each month an amount equal to 4% of each full-time non-law enforcement employee's salary. Employee contributions are voluntary. An additional amount equal to one percent of an employee's salary is contributed by the County, Rutherford County Transit Administration, and Economic Development Commission each month for those employees who have chosen to contribute at least one percent themselves. All amounts are vested immediately. Contributions for the fiscal year ended June 30, 2005 were \$564,994, which consisted of \$418,009 from the County and \$146,985 from the employees. Contributions for Rutherford County Transit Administration employees for the fiscal year ended June 30, 2005 were \$10,489, which consisted of \$8,641 from the Rutherford County Transit Administration and \$1,848 from the employees. Contributions for Economic Development Commission employees for the fiscal year ended June 30, 2005 were \$8,366, which consisted of \$6,914 from the Economic Development Commission and \$1,452 from the employees.

Postemployment Benefits

In addition to providing pension benefits, the County has elected to provide postretirement health benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have twenty years of creditable service with the County. The County pays the full cost of coverage for these benefits. Currently, 50 retirees are eligible for postretirement health benefits. For the fiscal year ended June 30, 2005, the County made payments for postretirement health benefit premiums of \$206,280. The County is not obligated by statutory, contractual or other authority to make contributions for postemployment benefits.

The County has elected to provide post-retirement dental benefits to retirees of the County through the age of 65 who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have twenty years of creditable service with the County. The County pays the full cost of coverage for these benefits. For the fiscal year ended June 30, 2005, the County made payments for post-retirement dental benefit premiums of \$8,313.

The County, Rutherford County Transit Administration, and Economic Development Commission, have elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County, Rutherford County Transit Administration, and Economic Development Commission, have no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, Rutherford County Transit Administration, nor Economic Development Commission, the County, Rutherford County Transit Administration, and Economic Development Commission, do not determine the number of eligible participants. For the fiscal year ended June 30, 2005, the County made contributions to the State for death benefits of \$14,841. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .13% and .14% of covered payroll, respectively. For the fiscal year ended June 30, 2005, the Rutherford County Transit Administration, and Economic Development Commission made required contributions of \$230 and \$180, respectively representing .13% of covered payroll. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount.

Registers of Deeds' Supplemental Pension Fund

Plan Description: The County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), which is a non-contributory defined contribution plan administered by the North Carolina Department of the State Treasurer. The Fund provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter – 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy: On a monthly basis, the County remits to the Department of State Treasurer an amount equal to four and one-half percent (4.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund.

For the year ended June 30, 2005, the County's required and actual contributions were \$20,157.

Deferred Compensation Plans

The County offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans are administered by Equitable Assurance Company and Public Employees Benefit Service Corporation (PEBSO). The plans, available to all County employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The County has complied with changes in the laws which govern the County's Deferred Compensation Plan, requiring all assets of the plan to be held in trust for the exclusive benefit of the participants and their beneficiaries. Formerly, the undistributed amounts which had been deferred by the plan participants were required to be reported as assets of the County. In accordance with GASB Statement 32, "Accounting and Financial Reporting for Internal Revenue

Code Section 457 Deferred Compensation Plans,” the County’s Deferred Compensation Plan is no longer reported within the County’s Agency Funds.

(B) **Deferred / Unearned Revenues**

The balance in deferred revenue on the fund statements and unearned revenues on the government-wide statements at year-end is composed of the following elements:

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes not yet earned (General)	\$ —	\$ 285,818
Prepaid taxes not yet earned (Special Revenue)	—	14,548
Taxes receivable, net (General)	1,509,108	—
Taxes receivable, net (Special Revenue)	118,882	—
Other receivable, (General)	898,556	—
	<u>\$ 2,526,546</u>	<u>\$ 300,366</u>

C) **Risk Management**

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The County participates in two self-funded risk financing pools administered by the Risk Management Agency of the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$250 million for any one occurrence, general, auto, and professional liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, and worker’s compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence losses in excess of \$500,000 up to \$2 million limit for general liability coverage, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property, auto physical damage, and crime coverage, and single occurrence losses of \$350,000 for workers’ compensation.

The County also participates in a pool with the Rutherford/Polk Mental Health District and the Rutherford/Polk/McDowell Public Health District to provide health and dental benefits to employees. Effective July 1, 2003, this benefit plan transitioned from being fully insured to being self-insured. To account for the activities of the self-funded plan, the County established an Internal Service Fund. All three entities contribute to the pool on the same basis. The insurance program operates as one pooled group with one pooled fund. The employees of each agency share the common benefits and the common obligations of the program. Effective July 1, 2005 this benefit plan will transition back to a fully insured plan managed by the

Participants in the fully insured plan include all full-time agency employees, all retired employees with more than twenty years of service, all disabled retired employees and other participants who have the option to participate at their own expense (employee family members and terminated employees up to 18 months after termination). As of June 30, 2005, the program had 498 active participants. The plan provides medical coverage up to a lifetime maximum of \$2,000,000 per employee. Dental coverage is provided up to a maximum of \$1,500 per employee per year other than orthodontics, which is a lifetime maximum of \$2,000 per eligible employee. The Insurance Plan Administrators for the fiscal year ended June 30, 2005 were Kanawha Healthcare Solutions for medical and American General for dental.

The accrued self-insurance claims liability as of June 30, 2005 was \$215,974 and represents estimated claim liabilities, including incurred but not reported losses, based on the ultimate cost of settling the claims. It includes the effect of inflation and other societal and economic factors using historical experience, current enrollment and the benefit plan. Changes in the Fund’s claim liability amount for the past year is as follows:

<u>Fiscal Year Ended</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes In Estimates</u>	<u>Claim Payments</u>	<u>Balance At Fiscal Year End</u>
2004	\$ —	\$ 1,999,892	\$ 1,929,432	\$ 70,460
2005	70,460	2,111,364	1,965,850	215,974

The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

The Rutherford Polk Mental Health Authority officially dissolved June 30, 2005. As of December 31, 2003, the Rutherford Polk Mental Health ceased employment and Western Highlands LME served as the local management entity to coordinate services in the area. An actuarial study was performed in October, 2003 that determined the actuarially-determined value of the promised benefits to retirees were \$965,000. Following discussion with the Rutherford County Commissioners and Rutherford Polk Mental Health Authority, the boards agreed that \$1,061,500 would be sent to the County from the existing Rutherford Polk Mental Health Authority to be held in trust to pay retiree healthcare benefits. In December 2003, the trust fund was established to continue health insurance for twelve mental health retirees as defined by the agreement.

(D) **Claims and Judgments**

The County was a defendant to various lawsuits as of June 30, 2005 including one involving a rock quarry, various tax appeals, and others involving employment matters. The County believes that the claims are without substantial merit and is aggressively defending itself against all allegations. The ultimate outcome of the litigation cannot be presently determined and no provision for any liability has been made in the financial statements.

Note 4 - Long-Term Debt

The County has entered into agreements to lease certain vehicles, buildings, equipment and furniture. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The following is an analysis of assets recorded under capital leases as of June 30:

Buildings	\$ 16,539,447
Vehicles	2,889,168
Equipment	1,157,857
Furniture	27,628
	<u>\$ 20,614,099</u>

The following leases are included in Long-Term Debt:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2005</u>
<u>Capital Leases -</u>				
<u>Governmental Activities</u>				
<u>Serviced by the General Fund:</u>				
Equipment lease purchase agreement, monthly payments of \$12,339, including interest at 4.81%, through December 2004	\$ 73,004	\$ -	\$ 73,004	\$ -
Vehicle lease purchase agreement, monthly payments of \$1,733, including interest at 4.49%, through July 2006	41,296	-	19,341	21,955
Equipment and vehicle lease purchase agreement, monthly payments of \$4,810, including interest at 3.30%, through December 2004	28,582	-	28,582	-
Vehicle lease purchase agreement, monthly payments of \$16,747, including interest at 2.88%, through January 2006	310,676	-	194,567	116,109
Vehicle lease purchase agreement, monthly payments of \$21,972, including interest at 1.98% through January 2007	663,465	-	252,811	410,654

Vehicle and equipment lease purchase agreement, monthly payments of \$21,767, including interest at 2.68% through January 2008

-	839,509	112,606	726,903
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Serviced by ROD Automation Funds

Equipment lease purchase agreement, monthly payments of \$4,920, including interest at 2.68% through January 2008

-	170,000	22,803	147,197
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Serviced by E 911 Funds

Equipment lease purchase agreement, monthly payments of \$4,394, including interest at 3.9% through November 2007

168,415	-	46,995	121,420
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Equipment lease purchase agreement, monthly payments of \$3,748, including interest at 2.68% through January 2008

-	129,500	17,370	112,130
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Serviced by the Debt Service Fund:

Public facilities lease purchase agreement, monthly payments of \$4,441, including interest at 4.97%, through May 2006

97,240	-	49,580	47,660
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Public facilities project lease purchase agreement, interest at 4.74% through July 2016

3,112,500	-	237,500	2,875,000
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Public facilities project certificates of participation interest at 1.5% due semiannually to 2023.

28,955,000	-	875,000	28,080,000
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Public facilities project certificates of participation, interest at 2% to 5% due semiannually to 2023.

7,640,000	-	200,000	7,440,000
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Total capital leases

<u>\$ 41,090,178</u>	<u>\$ 1,139,009</u>	<u>\$ 2,130,159</u>	<u>\$ 40,099,028</u>
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The County has also entered into similar agreements to lease certain buildings and equipment for the Solid Waste Collection Centers. These leases which are accounted for in the Solid Waste Fund are as follows:

	Balance <u>July 1, 2004</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2005</u>
<u>Capital Leases –</u>				
<u>Solid Waste Enterprise Fund:</u>				
Equipment and building lease purchase agreement, semiannual payment of \$72,866, including interest at 5.25%, through October 2011	\$ 893,944	\$ -	\$ 100,097	\$ 793,847
	<u>\$ 893,944</u>	<u>\$ -</u>	<u>\$ 100,097</u>	<u>\$ 793,847</u>
Total capital leases	\$ 893,944	\$ -	\$ 100,097	\$ 793,847

The general obligation bonds are issued to finance the construction of County facilities. All bonds are collateralized by the faith, credit and taxing power of the County. These bonds are being serviced by the Debt Service Fund.

	Balance <u>July 1, 2004</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2005</u>
<u>General Obligation Bonds</u>				
Refunding bonds, 2003A \$1,480,000 issue interest at 3.5% to 4.7%, payable semiannually, due serially 2023.	\$ 1,455,000	\$ -	\$ 45,000	\$ 1,410,000
Refunding bonds, 2003B, \$16,946,000 issue interest at 3.0% to 4.5%, payable semiannually, due serially 2011.	14,595,000	-	2,240,000	12,355,000
	<u>\$ 16,050,000</u>	<u>\$ -</u>	<u>\$ 2,285,000</u>	<u>\$ 13,765,000</u>
Total general obligation bonds	\$ 16,050,000	\$ -	\$ 2,285,000	\$ 13,765,000

A summary of changes in the County's long-term obligations follows:

	Long- Term Debt July 1, 2004	Additions	Retirements	Long- Term Debt June 30, 2005	Current Portion of Balance
Governmental Activities					
By type of debt:					
General obligation bonds	\$ 16,050,000	\$ -	\$ 2,285,000	\$ 13,765,000	\$ 2,275,000
Capital leases	41,090,178	1,139,009	2,130,159	40,099,028	2,579,417
Pension liability	256,679	75,293	55,199	276,773	-
Vacation pay	740,453	734,866	643,572	831,747	-
Total	<u>\$ 58,137,310</u>	<u>\$ 1,819,984</u>	<u>\$ 5,113,930</u>	<u>\$ 54,972,548</u>	<u>\$ 4,854,417</u>
By Purpose:					
School	\$ 43,505,000	\$ -	\$ 2,965,000	\$ 40,540,000	
General government -equipment	1,285,438	1,139,009	768,079	1,656,368	
General government -public facilities	12,349,740	-	682,080	11,667,660	
Pension liability	256,679	75,293	55,199	276,773	
Vacation pay	740,453	734,866	643,572	831,747	
Total	<u>\$ 58,137,310</u>	<u>\$ 1,949,168</u>	<u>\$ 5,113,930</u>	<u>\$ 54,972,548</u>	
Reconciliation:					
Current portion				\$ 4,854,417	
Subsequent years				50,118,131	
				<u>\$ 54,972,548</u>	
	July 1, 2004	Additions	Retirement	June 30, 2005	Current Portion
Business-type activities					
Capital lease-equipment	\$ 893,944	\$ -	\$ 100,097	\$ 793,847	\$ 105,421
Accrued landfill	1,925,076	-	28,217	1,896,859	69,673
	<u>\$ 2,819,020</u>	<u>\$ -</u>	<u>\$ 128,314</u>	<u>\$ 2,690,706</u>	<u>\$ 175,094</u>

Compensated absences typically have been liquidated in the general fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

The following table summarizes the annual requirements to amortize all long-term debt outstanding at June 30, 2005 (excluding vacation pay and pension obligation):

	General Obligation Bonds		Capitalized Leases		Certificates of Participation		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities Long-Term Debt:								
2005/06	\$ 2,275,000	\$ 448,644	\$ 864,417	\$ 34,413	\$ 1,715,000	\$ 1,656,913	\$ 4,854,417	\$ 2,139,969
2006/07	2,260,000	346,919	589,157	14,668	2,025,000	1,595,725	4,874,157	1,957,312
2007/08	2,180,000	289,619	250,454	2,260	2,140,000	1,525,125	4,570,454	1,817,004
2008/09	2,105,000	229,069	-	-	2,150,000	1,459,306	4,255,000	1,688,375
2009/10	2,035,000	165,519	-	-	2,165,000	1,399,493	4,200,000	1,565,012
2010/15	2,285,000	245,894	-	-	11,030,000	5,639,104	13,315,000	5,884,998
2016	625,000	125,356	-	-	17,170,000	3,556,200	17,795,000	3,681,556
Total	\$13,765,000	\$1,851,019	\$1,704,028	\$ 51,341	\$38,395,000	\$16,831,866	\$53,864,028	\$18,734,226

Business Activities Debt:

	Capitalized Leases	
	Principal	Interest
2005/06	\$ 105,421	\$ 40,311
2006/07	111,029	34,704
2007/08	116,934	28,798
2008/09	123,154	22,579
2009/10	129,704	16,028
2010/13	207,605	10,993
Total	\$ 793,847	\$ 153,413

At June 30, 2005, the County had a legal debt margin of approximately \$262,335,472.

Conduit Debt Obligations

Rutherford County Industrial Facility and Pollution Control Financing Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as by letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2005, there were three series of industrial revenue bonds outstanding, with issued amounts totaling \$10,500,000 and an aggregate principal amount payable of \$6,380,000.

Note 5 - Closure and Postclosure Care Costs - Rutherford County Central Landfill

Effective January 1, 1998, the State began requiring that all municipal solid waste (MSW) be placed in a lined landfill. Therefore, Rutherford County closed the Rutherford County Central Landfill on December 31, 1997. State and federal laws and regulations require the County to place a final cover on this landfill upon its closure and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although the County has just recently started to incur closure and postclosure care costs, the County has been reporting a portion of these costs as an operating expense for the past several years based on landfill capacity consumed as of each balance sheet date. During the year ended June 30, 2005, the County expended \$28,217 of postclosure care costs. The \$1,896,859 accrual reported on the Statement of Net Assets is the present value of estimated postclosure care costs at June 30, 2005. Actual costs may vary due to inflation, changes in technology, or changes in regulations.

Changes in the post closure care cost liabilities follows:

Estimate, June 30, 2004	\$ 1,925,076
Retirement	(28,217)
Estimate, June 30, 2005	\$ 1,896,859

The County has met the requirements of a local government financial test that is one option under State and federal laws and regulations that help determine if a unit is financially able to meet closure and postclosure care requirements. However, the County has also elected to establish a reserve fund to accumulate resources for the payment of closure and postclosure care costs. Transfers of \$**1,853,841** were made to the Solid Waste Reserve Fund during prior years. During the fiscal year ending June 30, 2003, these funds were loaned to General Fund for Economic Development. A former textile plant was purchased and then leased to Tracker Marine, a boat building company. The loan will be repaid over a fifteen year period at an interest rate of LIBOR plus 1.2%. If these funds are needed for landfill closure or postclosure costs, another form of financing will have to be put in place.

Note 6 - Interfund Balances and Activity

Due to/from other funds:

Due to/from other funds at June 30, 2005, consists of the following:

	Due from Governmental Activities	Due to Business-Type Activities
General Fund:		
Due to other funds	\$ 1,600,000	\$ —
Solid Waste Fund		
Due from other funds	—	1,600,000
	<u>\$ 1,600,000</u>	<u>\$ 1,600,000</u>

The General fund borrowed \$1,850,000 from the Solid Waste fund during the year ended June 30, 2003. Terms of repayment are \$125,000 annually plus interest at LIBOR. The transaction is recorded on the modified accrual basis in the General fund and full accrual basis in the Solid Waste fund. The resulting difference is reconciled to the full accrual basis in the Government-wide financial statements.

Transfers to/from other funds at June 30, 2005 consist of the following:

From	To	For	Amount
General	School Capital Reserve	Sales tax collections designated school construction	\$ 3,927,029
General	Building Capital Reserve	Sales tax collection designated for facilities	978,185
General	Reappraisal	contribution for reappraisal expenses	260,000
General	Debt Service	Payment of economic development debt	281,430
General	Water & Sewer Project	Sales tax collections designated utility construction	254,641
General	Register of Deeds Automation	Accumulate resources for office automation	75,919
General	Grant	Local funds for airport improvements	86,999
General	Grant	Local match for disaster mitigation grant	2,500
General	Grant	Local funds for Hwy 74 corp center project	69,763
General	Fire Districts	Apportionment of FEMA revenues	2,082
School Capital Reserve	Debt Service	Payment of school construction debt	4,680,425
School Capital Reserve	General	School special project	200,000
School Capital Reserve	School Capital Projects	School construction	73,458
Building Capital Reserve	Debt Service	Payment of building construction debt	1,032,143
Building Capital Reserve	General	College	153,000
Building Capital Reserve	Grant	Local match grant - Tracker Sewer Improvements	51,500
Building Capital Reserve	Grant	Provide local share for airport improvements	8,333
Fire Districts	Debt Service	Hollis VFD contribution to debt service for payment	3,475
Fire Districts	Grant	District funds to help purchase emergency management truck	106,527
Solid Waste	General	Contribution to General Fund for Admin Services	44,635
Total			<u>\$ 12,292,044</u>

Note 7 - Joint Ventures

Following extensive study and debate, the 2001 North Carolina General Assembly passed the Mental Health System Reform Bill (House Bill 381). Three Area Programs were organized into an eight county Local Management Entity (LME) and, as a result, the Rutherford Polk Area Authority was dissolved on June 30, 2005. Rutherford and Polk Counties joined six other counties (Henderson, Transylvania, Buncombe, Mitchell, Madison, and Yancey) which represented two other area authorities (Trend and Blue Ridge) to form Western Highlands LME.

Eighty-five percent of the budgetary surplus available from Rutherford Polk Area Authority upon dissolution was distributed to the two counties on the same pro rata basis that the counties appropriated and contributed funds to the authority's budget during the current fiscal year (59.7% Rutherford/ 40.3% Polk). In June 2005 Rutherford County received \$465,152 that is accounted for in special revenue fund with funds designated for mental health expenditures. The remaining fifteen percent of the surplus was delivered to Western Highlands LME for the sole purpose of paying any remaining liabilities. Any remaining balance of these funds shall be paid to the two counties on the same pro rata basis within thirty-days after December 31, 2007.

The eight counties participating in the Western Highlands LME are represented by either the county manager, assistant county manager or county commissioner and one at large position that fits certain criteria as outlined in the Reform Bill. Within available resources, the County has an ongoing financial responsibility for the LME because it is legally obligated to provide mental health services either directly or jointly with other counties. None of the participating counties has any equity interest in the LME, so no equity interest has been reflected in the financial statements at June 30, 2005. The County contributed \$102,168 to the LME to fund operations during fiscal year June 30, 2005. Complete financial statements for the LME may be obtained from the LME's offices at 356 Biltmore Avenue, Asheville, NC 28801.

The County, in conjunction with Polk and McDowell Counties, participates in the Rutherford/Polk/McDowell Public Health District. Each Board of Commissioners of the counties appoints one of its own members to the public health board. These commissioner-members then appoint the other fifteen members jointly with six of these members being from Rutherford County, five being from McDowell County and four being from Polk County. All commissioner-members must agree on the appointments for the appointments to occur. The County contributes funds annually to fund operations of the District. None of the participating counties have any equity interest in the District, so no equity interest has been reflected in the financial statements at June 30, 2005. The County contributed \$241,578 to the District to fund operations during fiscal year June 30, 2005. Complete financial statements for the District may be obtained from the District's offices at 203 Koone Rd., Spindale, NC 28160.

The County, in conjunction with the State of North Carolina and the Rutherford County Board of Education, participates in a joint venture to operate the Isothermal Community College. The County appoints four members of the fifteen-member Board of Trustees of the Community College. The Community College is included as a component unit of the state. The County has the basic responsibility for providing funding for the facilities of the Community College and also provides some financial support for the Community College's operations. The County has an ongoing financial responsibility for the Community College because of the statutory responsibilities to provide funding for the Community College's facilities. The County contributed \$1,457,202 to the Community College for operating and capital expenditure purposes during the fiscal year ended June 30, 2005. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2005. Complete financial statements for the Community College may be obtained from the Community College's administrative offices at P.O. Box 804, Spindale, NC 28160.

Note 8 - Region C Council of Government (Jointly Governed Organization)

The Council is a voluntary association of four county governments, including Rutherford County for the purpose of coordinating federal and state projects of a planning nature in the four county area comprising Region C in Southwestern North Carolina. General support of the Council is provided by the counties based upon their respective populations. Each county appoints one member to the Council's governing body and this governing body selects the management and determines the budget and financing requirements of the Council. The County paid membership fees of \$11,130 to the Council during the fiscal year ended June 30, 2005.

Note 9 - Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

Note 10 - Additional Social Welfare Expenditures

The benefit payments listed below were issued directly from the State to recipients of the County and/or their service providers on its behalf. These amounts represent additional federal and state financial assistance to the residents of the County but are not reflected in the financial statements because the County has no primary responsibilities beyond making eligibility determinations.

Medicaid	\$ 69,031,013
Food stamps program	8,053,566
Temporary assistance to needy families	950,722
SC/SA domiciliary care	1,105,823
Energy assistance	175,009
Title IV-E adoption/foster care	<u>574,053</u>
	<u>\$ 79,890,186</u>

RUTHERFORD COUNTY, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Funding Progress

Actuarial	Actuarial	Actuarial	Unfunded		Covered	UAAL as a
Valuation	Value of	Accrued	AAL	Funded	Payroll for	Percentage
Date	Assets	Liability (AAL)	(UAAL)	Ratio	Year Ending	of Covered
	(a)	Prof. Unit	(b-a)	(a/b)	On Val Date	Payroll
		Credit (b)			(c)	[(b-a)/c]
12/31/1997	-	\$ 196,955	\$ 196,955	0.00%	\$ 1,507,779	13.06%
12/31/1998	-	222,079	222,079	0.00%	1,713,020	12.96%
12/31/1999	-	285,944	285,944	0.00%	1,719,678	16.63%
12/31/2000	-	466,434	466,434	0.00%	1,877,528	24.84%
12/31/2001	-	493,420	493,420	0.00%	1,986,208	24.84%
12/31/2002	-	502,384	502,384	0.00%	2,001,798	25.10%
12/31/2003	-	627,648	627,648	0.00%	2,034,242	30.85%
12/31/2004	-	719,776	719,776	0.00%	2,125,885	33.86%

Schedule of Employer Contributions

Year Ended	Annual		Actual	Percentage
June 30	Required		Contribution	Contributed
	Contribution			
1997	\$ 23,281	\$	12,226	52.51%
1998	25,386		9,025	35.55%
1999	32,718		5,547	16.95%
2000	37,521		10,133	27.01%
2001	45,550		13,541	29.73%
2002	58,912		23,620	40.09%
2003	62,120		26,497	42.65%
2004	68,524		43,204	63.05%
2005	75,293		55,199	73.31%

Notes to the Required Schedules

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/04
Actuarial cost method	Project unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	26 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	5.9 - 9.8 % per year
*Includes inflation at	3.75%
Cost of living adjustments	None



RUTHERFORD COUNTY, NORTH CAROLINA

**GENERAL FUND
COMPARATIVE BALANCE SHEETS
June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
Assets		
Cash and cash equivalents	\$ 9,814,874	\$ 10,030,758
Receivables (net):		
Taxes	1,509,109	1,656,674
Governmental agencies	3,431,430	3,429,609
Accounts	911,948	723,586
Inventories	14,218	22,215
Prepaid items	179,411	46,535
	<hr/>	<hr/>
Total assets	<u>\$ 15,860,990</u>	<u>\$ 15,909,377</u>
 Liabilities and Fund Balances		
Liabilities:		
Accounts payable and accrued liabilities	\$ 241,380	\$ 602,854
Unearned revenues	285,818	229,867
Deferred revenues	2,407,662	2,364,340
	<hr/>	<hr/>
Total liabilities	<u>2,934,860</u>	<u>3,197,061</u>
 Fund Balances:		
Reserved:		
By State statute	3,444,362	3,453,527
For inventories and prepaid items	193,629	60,750
For court facilities	277,918	266,608
Unreserved:		
Designated for subsequent years' budget	1,125,000	1,057,635
Undesignated	7,885,221	7,873,796
	<hr/>	<hr/>
Total fund balances	<u>12,926,130</u>	<u>12,712,316</u>
	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 15,860,990</u>	<u>\$ 15,909,377</u>

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the year ended June 30, 2005
 (With comparative actual amounts for the year ended June 30, 2003)

	2005			2004
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Ad valorem taxes:				
Current year	\$ 23,116,970	\$23,046,514	\$ (70,456)	\$22,595,376
Prior years	825,000	991,243	166,243	878,763
Penalties and interest	241,000	248,722	7,722	249,937
Total	24,182,970	24,286,479	103,509	23,724,076
Local option sales taxes	10,777,691	11,152,217	374,526	11,278,753
Restricted intergovernmental revenues:				
ABC net revenues	9,000	10,833	1,833	9,629
Court facilities	150,400	143,162	(7,238)	147,353
Federal and state grants	8,085,337	7,940,197	(145,140)	7,695,550
Total	8,244,737	8,094,192	(150,545)	7,852,532
Permits and fees:				
Building permits	319,000	342,777	23,777	288,084
Register of deeds	450,000	422,877	(27,123)	439,747
Marriage license	12,000	12,400	400	11,975
Revenue stamps	205,900	323,917	118,017	221,339
Cable franchise fees	22,300	42,891	20,591	44,440
Rental vehicle tax	6,400	6,440	40	7,263
Total	1,015,600	1,151,302	135,702	1,012,848
Sales and services:				
Rents, concessions and fees	245,208	112,369	(132,839)	94,134
Sheriff's fees	54,135	74,905	20,770	46,542
Senior Center meals	79,526	82,698	3,172	79,368
EMS fees	866,920	1,108,545	241,625	927,377
Court costs, fees and charges	96,300	92,294	(4,006)	100,985
Detention Center fees	843,600	500,192	(343,408)	1,046,668
Tax collection fees	47,500	46,377	(1,123)	48,115
Animal shelter fees	56,250	48,642	(7,608)	42,250
Airport revenues	24,600	25,334	734	29,369
Total	2,314,039	2,091,356	(222,683)	2,414,808
Investment earnings	158,000	370,118	212,118	290,896
Miscellaneous	277,499	288,464	10,965	225,593
Sale of county property	74,000	67,887	(6,113)	3,049
Total revenues	47,044,536	47,502,015	457,479	46,802,555

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2005
(With comparative actual amounts for the year ended June 30, 2004)

	2005			2004
	Budget	Actual	Variance Positive (Negative)	Actual
Expenditures:				
General Government:				
Governing body	256,186	253,053	3,133	236,948
Manager	114,875	114,120	755	106,527
Board of Elections	269,976	242,117	27,859	124,753
Finance and purchasing	339,782	336,587	3,195	324,801
Information technology	819,538	743,270	76,268	361,492
Tax listing	686,853	663,534	23,319	626,058
Tax collections	295,496	279,180	16,316	253,083
Legal	58,300	54,328	3,972	64,341
Register of Deeds	271,413	271,825	(412)	245,767
Personnel	111,384	107,097	4,287	142,580
Public buildings / recreation	1,441,280	1,275,119	166,161	1,171,958
County garage	96,176	95,326	850	87,739
Court facilities	139,867	131,852	8,015	137,379
Special allocations	522,432	497,307	25,125	429,563
Total general government	5,423,558	5,064,715	358,843	4,312,989
Public Safety:				
Sheriff's Department	3,517,662	3,511,306	6,356	3,326,399
Detention Center	1,866,257	1,836,518	29,739	1,652,860
Communications	670,930	671,805	(875)	588,680
Inspections	481,942	448,075	33,867	429,640
Coroner	51,400	48,400	3,000	53,100
Emergency Services	1,674,381	1,628,304	46,077	1,653,931
Narcotics task force	9,384	9,384	-	-
Special allocations	314,699	290,588	24,111	207,461
Animal control	261,960	256,924	5,036	222,702
Total public safety	8,848,615	8,701,304	147,311	8,134,773
Environmental Protection:				
Soil conservation	103,117	101,053	2,064	95,546
Watershed	15,550	12,720	2,830	14,947
Total environmental protection	118,667	113,773	4,894	110,493

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the year ended June 30, 2005
 (With comparative actual amounts for the year ended June 30, 2004)

	<u>2005</u>			<u>2004</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Economic and Physical Development:				
Agricultural extension	168,564	160,586	7,978	153,868
Farmers market	2,248	1,796	452	2,143
Forestry	61,258	37,640	23,618	37,237
Airport Authority	57,203	56,893	310	46,967
Economic Development Commission	467,143	461,269	5,874	915,502
Total economic and physical development	<u>756,416</u>	<u>718,184</u>	<u>38,232</u>	<u>1,155,717</u>
Human Services:				
Contribution to District Health	246,410	246,410	-	241,578
Contribution to Mental Health	111,168	102,168	9,000	111,168
New Vistas building grant	105,294	-	105,294	-
Veterans Service Officers	59,322	57,862	1,460	52,460
Special appropriation	259,594	245,874	13,720	217,987
Social Services Administration	4,938,241	4,766,344	171,897	4,335,794
Social Services programs	9,217,305	8,821,970	395,335	8,282,755
Senior Citizens Center	212,034	194,723	17,311	183,118
Meals program	355,087	355,948	(861)	329,157
Total human services	<u>15,504,455</u>	<u>14,791,299</u>	<u>713,156</u>	<u>13,754,017</u>
Cultural:				
Libraries	<u>425,857</u>	<u>424,877</u>	<u>980</u>	<u>397,421</u>
Total cultural	<u>425,857</u>	<u>424,877</u>	<u>980</u>	<u>397,421</u>
Education:				
Public schools:				
Current expenditures	10,224,313	10,224,313	-	9,504,147
Capital outlay	212,400	200,000	12,400	350,380
Community college	<u>1,657,370</u>	<u>1,657,370</u>	<u>-</u>	<u>1,457,202</u>
Total education	<u>12,094,083</u>	<u>12,081,683</u>	<u>12,400</u>	<u>11,311,729</u>

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the year ended June 30, 2005
 (With comparative actual amounts for the year ended June 30, 2004)

	<u>2005</u>			<u>2004</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Debt Service:				
Principal retirement		681,260		656,333
Interest and fees		9,702		29,384
Total debt service	690,978	690,962	16	685,717
Total expenditures	43,862,629	42,586,797	1,275,832	39,862,856
Revenues over expenditures	3,181,907	4,915,218	(818,353)	6,939,699
Other Financing Sources (Uses):				-
Transfers:				
From other funds	539,635	397,635	(142,000)	473,015
To other funds	(6,119,093)	(5,938,548)	180,545	(5,894,373)
Proceeds of lease purchase	856,459	839,509	(16,950)	767,336
Appropriated fund balance	1,541,092	-	(1,541,092)	-
Total other financing sources (uses)	(3,181,907)	(4,701,404)	(1,519,497)	(4,654,022)
Net change in fund balance	<u>\$ -</u>	<u>213,814</u>	<u>(2,337,850)</u>	2,285,677
Fund balances:				
Beginning of year		<u>12,712,316</u>		<u>10,427,586</u>
End of year		<u>\$ 12,926,130</u>		<u>\$12,713,263</u>



RUTHERFORD COUNTY, NORTH CAROLINA

CAPITAL PROJECTS FUND – SCHOOLS

BALANCE SHEET

June 30, 2005

(With comparative totals for June 30, 2004)

	<u>2005</u>	<u>2004</u>
Assets		
Cash and cash equivalents	\$ 988,599	\$ 894,083
Cash and cash equivalents - restricted	608,498	3,317,429
Accounts receivable	64,710	457,669
	<hr/>	<hr/>
Total assets	<u>\$ 1,661,807</u>	<u>\$ 4,669,181</u>
 Liabilities and Fund Balances		
Liabilities:		
Accounts payable and accrued liabilities	\$ -	\$ -
	<hr/>	<hr/>
Fund Balances:		
Reserved by state statute	64,710	457,669
Unreserved:		
Designated for future capital outlay	1,597,097	4,211,512
Total fund balance	<u>1,661,807</u>	<u>4,669,181</u>
	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 1,661,807</u>	<u>\$ 4,669,181</u>

RUTHERFORD COUNTY, NORTH CAROLINA

CAPITAL PROJECTS FUND - SCHOOLS SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL From inception and for the year ended June 30, 2005

	Actual			
	Project Authorization	Prior Years	Current Year	Total To Date
Revenues:				
Restricted intergovernmental:				
Public School Building				
Bond Act of 1996	\$ 15,468,465	\$ 15,407,281	\$ 61,184	\$ 15,468,465
Other taxes and licenses	-	511,692	-	511,692
Sales tax refund	-	-	55,761	55,761
Investment earnings	2,298	276,891	35,437	312,328
Total revenues	<u>15,470,763</u>	<u>16,195,864</u>	<u>152,382</u>	<u>16,348,246</u>
Expenditures:				
Capital outlay:				
State Bond Project - Elementary Schools	19,689,697	19,628,513	61,184	19,689,697
Ellenboro Elementary	10,682,300	10,106,809	380,385	10,487,194
Chase Middle School Addition	1,684,650	1,671,940	5,893	1,677,833
Spindale Elementary	8,307,750	7,705,491	548,507	8,253,998
Forest City Elementary	891,701	461,034	367,443	828,477
Sunshine Elementary	7,752,500	5,814,764	1,785,021	7,599,785
RS middle	339,568	331,961	-	331,961
Dunbar Elementary Addition	57,679	-	57,679	57,679
Harris Elementary Addition	15,785	-	15,785	15,785
Chase High lights	11,317	-	11,317	11,317
Debt issuance costs	483,041	483,041	-	483,041
Total expenditures	<u>49,915,988</u>	<u>46,203,553</u>	<u>3,233,214</u>	<u>49,436,767</u>
Revenues under expenditures	<u>(34,445,225)</u>	<u>(30,007,689)</u>	<u>(3,080,832)</u>	<u>(33,088,521)</u>
Other Financing Sources (Uses):				
Transfers:				
Special revenue funds	4,294,690	4,221,232	73,458	4,294,690
Proceeds from borrowing	30,150,535	30,455,638	-	30,455,638
Total Other Financial Sources (Uses)	<u>34,445,225</u>	<u>34,676,870</u>	<u>73,458</u>	<u>34,750,328</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 4,669,181</u>	<u>(3,007,374)</u>	<u>\$ 1,661,807</u>
Fund balance, beginning of year			<u>4,669,181</u>	
Fund balance, end of year			<u>\$ 1,661,807</u>	

RUTHERFORD COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS June 30, 2005

	Debt Service Fund	Total Nonmajor Special Revenue	County Buildings Capital Projects Fund	June 30
Assets				
Cash and cash equivalents	\$ -	\$ 4,588,220	\$ 17,467	\$ 4,605,687
Cash and cash equivalents - restricted	-	-	587,617	587,617
Taxes receivable, net	-	118,882	-	118,882
Intergovernmental receivable	-	497,108	540	497,648
Other receivables	4,441	42,606	-	47,047
Total assets	\$ 4,441	\$ 5,246,816	\$ 605,624	\$ 5,856,881
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ 52,964	\$ -	\$ 52,964
Unearned revenues	-	14,548	-	14,548
Deferred revenue	-	118,882	-	118,882
Total liabilities	-	186,394	-	186,394
Fund Balances:				
Reserved for:				
State statute	4,441	282,772	540	287,753
Register of Deeds	-	173,144	-	173,144
Enhanced 911	-	903,503	-	903,503
Unreserved:				
Designated for subsequent year's budget	-	894,987	-	894,987
Designated for subsequent year's future capital outlay	-	379,841	605,084	984,925
Undesignated	-	2,426,175	-	2,426,175
Total fund balances	4,441	5,060,422	605,624	5,670,487
Total liabilities and fund balances	\$ 4,441	\$ 5,246,816	\$ 605,624	\$ 5,856,881

RUTHERFORD COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the year ended June 30, 2005

	Debt Service Fund	Total Nonmajor Special Revenue	County Buildings Capital Projects Fund	June 30 2005
Revenues:				
Ad valorem taxes	\$ -	\$ 1,298,965	\$ -	\$ 1,298,965
Other taxes and licenses	-	255,577	-	255,577
Local option sales taxes	-	591,478	-	591,478
Restricted intergovernmental	-	2,679,342	-	2,679,342
Charges for services	53,293	555,440	-	608,733
Investment earnings	-	59,594	8,312	67,906
Total revenues	53,293	5,440,396	8,312	5,502,001
Expenditures:				
General government	-	638,840	-	638,840
Public safety	-	2,775,039	-	2,775,039
Environmental protection	-	8,811	-	8,811
Economic and physical development	-	1,725,225	-	1,725,225
Capital outlay	-	-	47,963	47,963
Debt service	6,056,843	96,066	-	6,152,909
Total expenditures	6,056,843	5,243,981	47,963	11,348,787
Revenues over (under) expenditures	(6,003,550)	196,415	(39,651)	(5,846,786)
Other Financing Sources (Uses):				
Transfers:				
From other funds	5,997,473	5,823,478	-	11,820,951
To other funds	-	(6,308,861)	-	(6,308,861)
Proceeds from capital leases	-	299,500	-	299,500
Total other financing sources (uses)	5,997,473	(185,883)	-	5,811,590
Net change in fund balance	(6,077)	10,532	(39,651)	(35,196)
Fund balance, beginning of year	10,518	5,049,890	645,275	5,705,683
Fund balance, end of year	\$ 4,441	\$ 5,060,422	\$ 605,624	\$ 5,670,487

RUTHERFORD COUNTY, NORTH CAROLINA

**DEBT SERVICE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
Assets		
Cash and cash equivalents	\$ -	\$ 10,518
Other receivables	<u>4,441</u>	<u>-</u>
Total assets	<u>\$ 4,441</u>	<u>\$ 10,518</u>
Liabilities and Fund Balances		
Liabilities:	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:		
Reserved for:		
State statute	4,441	-
Unreserved:		
Designated for debt service	<u>-</u>	<u>10,518</u>
Total fund balances	<u>4,441</u>	<u>10,518</u>
Total liabilities and fund balances	<u>\$ 4,441</u>	<u>\$ 10,518</u>

RUTHERFORD COUNTY, NORTH CAROLINA

DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2005
(With comparative actual amounts for the year ended June 30, 2004)

	2005			2004
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Lease	\$ 53,293	\$ 53,293	\$ -	\$ 53,293
Total revenues	<u>53,293</u>	<u>53,293</u>	<u>-</u>	<u>53,293</u>
Expenditures:				
Bond principal payments	3,772,080	3,772,080	-	3,522,181
Bond interest payments	2,282,099	2,282,069	30	2,446,494
Bond issuance costs	2,658	2,694	(36)	2,658
Total expenditures	<u>6,056,837</u>	<u>6,056,843</u>	<u>(6)</u>	<u>5,971,333</u>
Revenues over (under) expenditures	<u>(6,003,544)</u>	<u>(6,003,550)</u>	<u>(6)</u>	<u>(5,918,040)</u>
Other Financing Sources (Uses):				
Transfers in				
Building Capital Reserve fund	1,038,249	1,032,143	(6,106)	1,016,207
School Capital Reserve fund	4,680,389	4,680,425	36	4,580,581
General fund	281,431	281,430	(1)	303,295
Fire district fund	3,475	3,475	-	3,475
Grant fund	-	-	-	25,000
Total other financing sources	<u>6,003,544</u>	<u>5,997,473</u>	<u>(6,071)</u>	<u>5,928,558</u>
Net change in fund balance	<u>\$ -</u>	<u>(6,077)</u>	<u>\$ (6,077)</u>	10,518
Fund balance, beginning of year		<u>10,518</u>		-
Fund balance, end of year		<u>\$ 4,441</u>		<u>\$ 10,518</u>



RUTHERFORD COUNTY, NORTH CAROLINA**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET**

June 30, 2005

(With comparative totals for June 30, 2004)

	Building Capital Reserve Fund	Reappraisal Fund	School Capital Reserve Fund	Enhanced 911 Fund	Mental Health Reserve Fund
Assets:					
Cash and cash equivalents	\$ 379,841	\$ 219,892	\$ 1,378,412	\$ 912,577	\$ 465,152
Taxes receivable, net	-	-	-	-	-
Intergovernmental receivable	-	510	-	7,434	-
Other receivables	-	-	-	42,606	-
Total assets	\$ 379,841	\$ 220,402	\$ 1,378,412	\$ 962,617	\$ 465,152
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ 5,714	\$ -	\$ 9,074	\$ -
Unearned revenues	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	-	5,714	-	9,074	-
Fund Balances:					
Reserved for:					
State Statute	-	510	-	50,040	-
Register of Deeds	-	-	-	-	-
Enhanced 911	-	-	-	903,503	-
Unreserved:					
Designated for subsequent year's budget	-	154,339	87,398	-	-
Designated for future capital outlay	379,841	-	-	-	-
Undesignated	-	59,839	1,291,014	-	465,152
Total fund balance	379,841	214,688	1,378,412	953,543	465,152
Total liabilities and fund balances	\$ 379,841	\$ 220,402	\$ 1,378,412	\$ 962,617	\$ 465,152

Tourism Development Fund	Grant Fund	Grant CDBG Project Fund	Fire Districts Fund	Register of Deeds Automation Enhancement Fd	Water and Sewer Project Fund	Totals	
						2005	2004
\$ 35,606	\$(220,776)	\$ -	\$ 744,864	\$ 173,144	\$ 499,508	\$4,588,220	\$ 5,002,754
-	-	-	118,882	-	-	118,882	127,467
1,579	471,568	1,999	770	13,248	-	497,108	5,513
-	-	-	-	-	-	42,606	125,545
\$ 37,185	\$ 250,792	\$ 1,999	\$ 864,516	\$ 186,392	\$ 499,508	\$5,246,816	\$ 5,261,279
\$ 1,497	\$ 36,166	\$ -	\$ 513	\$ -	\$ -	\$ 52,964	\$ 71,166
-	-	-	14,548	-	-	14,548	12,758
-	-	-	118,882	-	-	118,882	127,467
1,497	36,166	-	133,943	-	-	186,394	211,391
1,579	214,626	1,999	770	13,248	-	282,772	84,766
-	-	-	-	173,144	-	173,144	159,381
-	-	-	-	-	-	903,503	784,310
-	-	-	653,250	-	-	894,987	1,940,119
-	-	-	-	-	-	379,841	294,149
34,109	-	-	76,553	-	499,508	2,426,175	1,787,163
35,688	214,626	1,999	730,573	186,392	499,508	5,060,422	5,049,888
\$ 37,185	\$ 250,792	\$ 1,999	\$ 864,516	\$ 186,392	\$ 499,508	\$5,246,816	\$ 5,261,279

RUTHERFORD COUNTY, NORTH CAROLINA

SPECIAL REVENUE FUNDS COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE For the year ended June 30, 2005 (With comparative totals for June 30, 2004)

	Building Capital Reserve Fund	Reappraisal Fund	School Capital Reserve Fund	Enhanced 911 Fund	Mental Health Reserve Fund
Revenues:					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Local option sales tax	-	-	-	-	-
Other taxes and licenses	-	-	-	-	-
Restricted intergovernmental	46,367	-	-	-	465,152
Charges for services	-	-	-	518,203	-
Investment earnings	-	-	58,814	-	-
Total revenues	46,367	-	58,814	518,203	465,152
Expenditures:					
General government	-	219,823	-	-	-
Public safety	-	-	-	474,043	-
Environmental protection	-	-	-	-	-
Economic and physical development	-	-	-	-	-
Debt service	-	-	-	71,468	-
Total expenditures	-	219,823	-	545,511	-
Revenues over (under) expenditures	46,367	(219,823)	58,814	(27,308)	465,152
Other Financing Sources (Uses):					
Transfers:					
From other funds	978,185	260,000	3,927,029	-	-
To other funds	(1,244,976)	-	(4,953,883)	-	-
Proceeds from capital leases	-	-	-	129,500	-
Total other financing sources (uses)	(266,791)	260,000	(1,026,854)	129,500	-
Net change in fund balance	(220,424)	40,177	(968,040)	102,192	465,152
Fund balance, beginning of year	600,265	174,511	2,346,452	851,351	-
Fund balance, end of year	\$ 379,841	\$ 214,688	\$ 1,378,412	\$ 953,543	\$ 465,152

Tourism Development Fund	Grant Fund	Grant CDBG Project Fund	Fire Districts Fund	Register of Deeds Automation Enhancement Fd	Water and Sewer Project Fund	Totals	
						2005	2004
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,268,186
-	-	-	-	-	-	-	559,203
-	-	-	-	-	-	-	251,735
-	-	-	-	-	-	-	857,934
-	-	-	-	-	-	-	510,419
-	-	-	-	-	-	-	53,457
-	-	-	-	-	-	-	3,500,934
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	487,684
-	-	-	-	-	-	-	2,286,654
-	-	-	-	-	-	-	8,346
-	-	-	-	-	-	-	946,098
-	-	-	-	-	-	-	54,390
-	-	-	-	-	-	-	3,783,172
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	(282,238)
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	5,653,051
-	-	-	-	-	-	-	(6,115,616)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(462,565)
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	(744,803)
-	-	-	-	-	-	-	5,794,691
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$5,049,888

RUTHERFORD COUNTY, NORTH CAROLINA

BUILDING CAPITAL RESERVE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2005
(With comparative actual amounts for the year ended June 30, 2004)

	2005			2004
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Restricted intergovernmental	\$ 46,367	\$ 46,367	\$ -	\$ 46,367
Investment earnings	1,500	-	(1,500)	-
Total revenues	<u>47,867</u>	<u>46,367</u>	<u>(1,500)</u>	<u>46,367</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>47,867</u>	<u>46,367</u>	<u>(1,500)</u>	<u>46,367</u>
Other Financing Sources (Uses):				
Transfers in (out):				
General fund	1,026,701	978,185	(48,516)	1,001,530
General fund	(153,000)	(153,000)	-	(78,000)
Debt Service fund	(1,038,249)	(1,032,143)	6,106	(1,016,207)
Capital Projects fund	(129,600)	-	129,600	-
Grant fund	(59,834)	(59,833)	1	(16,667)
Appropriated fund balance	<u>306,115</u>	<u>-</u>	<u>(306,115)</u>	<u>-</u>
Total other financing sources (uses)	<u>(47,867)</u>	<u>(266,791)</u>	<u>(218,924)</u>	<u>(109,344)</u>
Net change in fund balance	<u>\$ -</u>	<u>(220,424)</u>	<u>\$ (220,424)</u>	(62,977)
Fund balance, beginning of year		<u>600,265</u>		<u>663,242</u>
Fund balance, end of year		<u><u>\$ 379,841</u></u>		<u><u>\$ 600,265</u></u>

RUTHERFORD COUNTY, NORTH CAROLINA

REAPPRAISAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2005
(With comparative actual amounts for the year ended June 30, 2004)

	2005			2004
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:	\$ -	\$ -	\$ -	\$ -
Expenditures:				
General government:				
Reappraisal	237,998	199,321	38,677	192,191
Mapping	43,861	20,502	23,359	22,620
	<u>281,859</u>	<u>219,823</u>	62,036	<u>214,811</u>
Revenues over (under) expenditures	<u>(281,859)</u>	<u>(219,823)</u>	62,036	<u>(214,811)</u>
Other Financing Sources:				
Transfers in:				
General fund	260,000	260,000	-	230,293
Special revenue fund – 911	-	-	-	45,306
Fund balance appropriated	<u>21,859</u>	<u>-</u>	<u>(21,859)</u>	<u>-</u>
Total other financing sources	<u>281,859</u>	<u>260,000</u>	<u>(21,859)</u>	<u>275,599</u>
Net change in fund balance	<u>\$ -</u>	<u>40,177</u>	<u>\$ 40,177</u>	60,788
Fund balance, beginning of year		<u>174,511</u>		<u>113,723</u>
Fund balance, end of year		<u><u>\$ 214,688</u></u>		<u><u>\$174,511</u></u>

RUTHERFORD COUNTY, NORTH CAROLINA

SCHOOL CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2005
(With comparative actual amounts for the year ended June 30, 2004)

	2005			2004
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Investment earnings	\$ 14,000	\$ 58,814	\$ 44,814	\$ 53,136
Total revenues	<u>14,000</u>	<u>58,814</u>	<u>44,814</u>	<u>53,136</u>
Expenditures:				
Bond issuance costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,189</u>
Revenues over (under) expenditures	<u>14,000</u>	<u>58,814</u>	<u>44,814</u>	<u>43,947</u>
Other Financing Sources (Uses):				
Transfers in (out):				
General fund	4,129,471	3,927,029	(202,442)	4,023,272
Debt service fund	(4,753,854)	(4,753,883)	(29)	(4,580,581)
General fund	(212,400)	(200,000)	12,400	(350,380)
Fund balance appropriated	<u>822,783</u>	<u>-</u>	<u>(822,783)</u>	<u>-</u>
Total other financing sources (uses)	<u>(14,000)</u>	<u>(1,026,854)</u>	<u>(1,012,854)</u>	<u>(907,689)</u>
Net change in fund balance	<u>\$ -</u>	<u>(968,040)</u>	<u>\$ (968,040)</u>	<u>(863,742)</u>
Fund balance, beginning of year		<u>2,346,452</u>		<u>3,210,194</u>
Fund balance, end of year		<u>\$ 1,378,412</u>		<u>\$ 2,346,452</u>

RUTHERFORD COUNTY, NORTH CAROLINA

ENHANCED 911 FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2005
(With comparative actual amounts for the year ended June 30, 2004)

	2005			2004
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Charges for services:				
Landline	\$ 387,000	\$ 385,439	\$ (1,561)	\$ 388,086
Wireless	120,000	129,524	9,524	120,144
Private road signs	2,000	3,240	1,240	2,189
Total revenues	509,000	518,203	9,203	510,419
Expenditures:				
Public safety:				
Landlines	377,300	341,861	35,439	236,028
Wireless	244,448	132,182	112,266	56,644
Debt service	71,779	71,468	311	52,729
Total expenditures	693,527	545,511	148,016	345,401
Revenues over (under) expenditures	(184,527)	(27,308)	157,219	165,018
Other financial sources (uses):				
Transfer to reappraisal fund	-	-	-	(45,306)
Proceeds of capital lease	129,500	129,500	-	-
Fund balance appropriated	55,027	-	(55,027)	-
Net change in fund balance	\$ -	102,192	\$ 102,192	119,712
Fund balance, beginning of year		851,351		731,639
Fund balance, end of year		\$ 953,543		\$ 851,351

RUTHERFORD COUNTY, NORTH CAROLINA

STATEMENT OF CHANGES IN MENTAL HEALTH RESERVE FUND
For the year ended June 30, 2005

Revenues:	
Contributions - Mental Health Authority	\$ 465,152
Expenditures	<u>-</u>
Revenues over expenditures	465,152
Fund balance, beginning	<u>-</u>
Fund balance, ending	<u><u>\$ 465,152</u></u>

RUTHERFORD COUNTY, NORTH CAROLINA

TOURISM DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2005
(With comparative actual amounts for the year ended June 30, 2004)

	2005			2004
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Other taxes and licenses	\$ 229,500	\$ 255,577	\$ 26,077	\$ 251,735
Charges for services	-	2,000	2,000	-
Investment earnings	500	780	280	320
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	230,000	258,357	28,357	252,055
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures:				
General government	230,000	224,707	5,293	272,876
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balance	<u>\$ -</u>	<u>33,650</u>	<u>\$ 33,650</u>	(20,821)
Fund balance, beginning of year		<u>2,038</u>		<u>22,859</u>
Fund balance, end of year		<u>\$ 35,688</u>		<u>\$ 2,038</u>

RUTHERFORD COUNTY, NORTH CAROLINA

GRANT FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For the year ended June 30, 2005 (With comparative actual amounts for the year ended June 30, 2004)

	2005			2004
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Restricted intergovernmental	\$ 3,341,224	\$ 1,415,331	\$ (1,925,893)	\$ 500,291
Private grants	373,948	366,150	(7,798)	129,020
Sale of timber	35,237	35,237	-	-
Total revenues	3,750,409	1,816,718	(1,933,691)	629,311
Expenditures:				
Public safety	729,464	629,644	99,820	200,949
Economic and physical development	3,366,691	1,321,522	2,045,169	611,498
	4,096,155	1,951,166	2,144,989	812,447
Revenues (under) over expenditures	(345,746)	(134,448)	211,298	(183,136)
Other Financing Sources:				
Transfers in (out):				
General Fund	118,561	140,561	22,000	22,556
Building Capital Reserve Fund	24,534	27,034	2,500	16,667
Grant Fund	-	-	-	(25,000)
Fire Districts Fund	106,527	106,527	-	-
Capital Projects Fund - COP	51,500	51,500	-	-
Fund balance appropriated	44,624	-	(44,624)	-
	345,746	325,622	(20,124)	14,223
Net change in fund balance	<u>\$ -</u>	<u>191,174</u>	<u>\$ 191,174</u>	(168,913)
Fund balance, beginning of year		<u>23,451</u>		<u>192,364</u>
Fund balance, end of year		<u>\$ 214,625</u>		<u>\$ 23,451</u>

RUTHERFORD COUNTY, NORTH CAROLINA

GRANT CDBG PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
From inception and for the year ended June 30, 2005

	<u>Authorization</u>	<u>Prior Years</u>	<u>Total Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental:				
Community Development Block Grants:				
Scattered site housing	\$ 400,000	\$ 130,774	\$ 104,355	\$ 235,129
Straight piping	200,000	36,947	152,437	189,384
Henrietta concentrated needs	600,000	-	129,550	129,550
Total revenues	1,200,000	167,721	386,342	554,063
Expenditures:				
Economic and physical development:				
Scattered site housing	400,000	133,937	101,193	235,130
Straight piping	200,000	38,924	150,461	189,385
Henrietta concentrated needs	622,000	-	149,549	149,549
Total expenditures	1,222,000	172,861	401,203	574,064
Revenues over (under) expenditures	(22,000)	(5,140)	(14,861)	(20,001)
Other Financing Sources:				
Transfer from General Fund	22,000	22,000	-	22,000
Net change in fund balance	<u>\$ -</u>	<u>\$ 16,860</u>	<u>(14,861)</u>	<u>\$ 1,999</u>
Fund balance, beginning of year			<u>16,860</u>	
Fund balance, end of year			<u>\$ 1,999</u>	

RUTHERFORD COUNTY, NORTH CAROLINA

FIRE DISTRICTS FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For the year ended June 30, 2005 (With comparative actual amounts for the year ended June 30, 2004)

	2005			2004
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Ad valorem taxes:				
Current year	\$ 1,215,064	\$ 1,220,392	\$ 5,328	\$ 1,194,650
Prior years	44,350	63,303	18,953	58,311
Penalties and interest	-	15,270	15,270	15,221
	<u>1,259,414</u>	<u>1,298,965</u>	<u>39,551</u>	<u>1,268,182</u>
Other taxes and licenses:				
Local option sales tax	501,840	591,478	89,638	559,202
Total revenues	<u>1,761,254</u>	<u>1,890,443</u>	<u>129,189</u>	<u>1,827,384</u>
Expenditures:				
Public safety -				
Cliffside	120,313	120,313	-	123,102
Chimney Rock	35,716	35,716	-	35,599
Sandy Mush	118,534	118,534	-	117,970
Bills Creek	78,192	78,192	-	79,362
Shingle Hollow	89,318	89,318	-	95,919
Shiloh, Danielstown, and Oakland	192,212	192,212	-	211,381
Cherry Mountain	120,199	120,199	-	123,033
Hudlow	235,415	235,415	-	251,683
Rutherfordton	158,558	158,558	-	162,017
Ellenboro	198,087	198,087	-	214,094
Bostic	62,285	62,285	-	64,929
Union Mills	77,065	77,065	-	81,095
Green Hill	131,462	131,462	-	142,375
Contracted	615,944	47,004	568,940	77,235
Hollis Community	6,992	6,992	-	5,699
	<u>2,240,292</u>	<u>1,671,352</u>	<u>568,940</u>	<u>1,785,493</u>
Environmental protection:				
Cliffside Sanitary District	8,811	8,811	-	8,346
Total expenditures	<u>2,249,103</u>	<u>1,680,163</u>	<u>568,940</u>	<u>1,793,839</u>
Revenues over (under) expenditures	<u>(487,849)</u>	<u>210,280</u>	<u>698,129</u>	<u>33,545</u>
Other Financing Sources:				
Transfers:				
General fund	2,082	2,082	-	-
Debt service fund	(3,475)	(3,475)	-	(3,475)
Grant fund	(106,527)	(106,527)	-	-
Appropriated fund balance	595,769	-	(595,769)	-
	<u>487,849</u>	<u>(107,920)</u>	<u>(595,769)</u>	<u>(3,475)</u>
Net change in fund balance	<u>\$ -</u>	<u>102,360</u>	<u>\$ 102,360</u>	<u>30,067</u>
Fund balance, beginning of year		<u>628,214</u>		<u>598,147</u>
Fund balance, end of year		<u>\$ 730,574</u>		<u>\$ 628,214</u>

RUTHERFORD COUNTY, NORTH CAROLINA

REGISTER OF DEEDS AUTOMATION ENHANCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2005
(With comparative actual amounts for the year ended June 30, 2004)

	2005			2004
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Automation equipment	198,355	194,310	4,045	-
Debt service	25,095	24,598	497	-
	<u>223,450</u>	<u>218,908</u>	4,542	-
Revenues over expenditures	(223,450)	(218,908)	4,542	-
Other Financing Sources (Uses):				
Transfers in (out):				
General fund	53,450	75,919	22,469	67,306
Proceeds from capital lease	170,000	170,000	-	-
	<u>223,450</u>	<u>245,919</u>	22,469	67,306
Net change in fund balance	<u>\$ -</u>	<u>27,011</u>	<u>\$ 27,011</u>	67,306
Fund balance, beginning of year		<u>159,381</u>		<u>92,075</u>
Fund balance, end of year		<u>\$ 186,392</u>		<u>\$ 159,381</u>

RUTHERFORD COUNTY, NORTH CAROLINA

**WATER & SEWER PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
From inception and for the year ended June 30, 2005**

	<u>Authorization</u>	<u>Prior Years</u>	Total <u>Current Year</u>	<u>Total to Date</u>
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Economic and physical development:				
Administrative	21,120	11,217	2,500	13,717
Future projects	1,530,294	136,146	-	136,146
Total expenditures	1,551,414	147,363	2,500	149,863
Revenues over expenditures	(1,551,414)	(147,363)	(2,500)	(149,863)
Other Financing Sources:				
Transfers in	583,392	394,730	254,641	649,371
Proceeds from State loan	944,585	-	-	-
Fund balance appropriated	23,437	-	-	-
	1,551,414	394,730	254,641	649,371
Net change in fund balance	<u>\$ -</u>	<u>\$ 247,367</u>	252,141	<u>\$ 499,508</u>
Fund balance, beginning of year			<u>247,367</u>	
Fund balance, end of year			<u>\$ 499,508</u>	

RUTHERFORD COUNTY, NORTH CAROLINA
CAPITAL PROJECTS FUND – COUNTY BUILDINGS
BALANCE SHEET
June 30, 2005
(With comparative totals for June 30, 2004)

	<u>2005</u>	<u>2004</u>
Assets		
Cash and cash equivalents	\$ 17,467	\$ 64,885
Cash and cash equivalents – restricted	587,617	579,365
Accounts receivable	540	1,025
	<hr/>	<hr/>
Total assets	\$ 605,624	\$ 645,275
	<hr/>	<hr/>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable and accrued liabilities	\$ -	\$ -
	<hr/>	<hr/>
Fund Balances:		
Reserved by State Statute	540	1,025
Unreserved:		
Designated for future capital outlay	605,084	644,250
	<hr/>	<hr/>
	605,624	645,275
	<hr/>	<hr/>
Total liabilities and fund balances	\$ 605,624	\$ 645,275
	<hr/>	<hr/>

RUTHERFORD COUNTY, NORTH CAROLINA

**CAPITAL PROJECTS FUND – COUNTY BUILDINGS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
From inception and for the year ended June 30, 2005**

	Actual			
	Project Authorization	Prior Years	Current Year	Total To Date
Revenues				
Other taxes and licenses	\$ -	\$ 35,165	\$ -	\$ 35,165
Investment earnings	1,731	63,677	8,312	71,989
Sales tax refund on contracts	-	952	-	952
Total revenues	<u>1,731</u>	<u>99,794</u>	<u>8,312</u>	<u>108,106</u>
Expenditures:				
Capital Outlay:				
Courthouse renovations	1,834,079	1,822,814	12,490	1,835,304
Senior Center	771,675	771,675	-	771,675
Library/EMS	353,474	353,474	-	353,474
Hollis	37,000	37,000	-	37,000
Unidentified project	506,691	-	-	-
Tracker Industrial	3,050,000	3,033,989	35,473	3,069,462
Debt issuance costs	35,918	35,918	-	35,918
Total expenditures	<u>6,588,837</u>	<u>6,054,870</u>	<u>47,963</u>	<u>6,102,833</u>
Revenues under expenditures	<u>(6,587,106)</u>	<u>(5,955,076)</u>	<u>(39,651)</u>	<u>(5,994,727)</u>
Other Financing Sources:				
Installment purchase proceeds	4,737,106	4,737,106	-	4,737,106
Transfers in:				
General fund	1,850,000	1,850,000	-	1,850,000
Building capital reserve fund	-	13,245	-	13,245
Total other financing sources	<u>6,587,106</u>	<u>6,600,351</u>	<u>-</u>	<u>6,600,351</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 645,275</u>	<u>(39,651)</u>	<u>\$ 605,624</u>
Fund balance, beginning of year			<u>645,275</u>	
Fund balance, end of year			<u><u>\$ 605,624</u></u>	



RUTHERFORD COUNTY, NORTH CAROLINA

ENTERPRISE FUNDS
COMBINING BALANCE SHEET
June 30, 2005
(With comparative totals for June 30, 2004)

	Solid Waste Fund	Solid Waste Reserve Fund	Totals 2005	2004
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,756,817	\$ 253,841	\$ 2,010,658	\$ 1,904,782
Accounts receivable (net)	359,187	-	359,187	409,266
Due from other funds	-	-	-	125,000
Total current assets	2,116,004	253,841	2,369,845	2,439,048
Capital assets, net of depreciation	2,575,745	-	2,575,745	2,622,441
Due from other funds	-	-	-	1,600,000
Total assets	4,691,749	253,841	4,945,590	6,661,489
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	197,072	-	197,072	230,952
Current portion of long-term liabilities	105,421	69,673	175,094	100,000
Total current liabilities	302,493	69,673	372,166	330,952
Noncurrent liabilities:				
Accrued landfill closure and postclosure care costs	-	1,827,186	1,827,186	1,925,076
Long-term debt	688,426	-	688,426	793,944
Total noncurrent liabilities	688,426	1,827,186	2,515,612	2,719,020
Total liabilities	990,919	1,896,859	2,887,778	3,049,972
Net Assets				
Invested in capital assets, net of related debt	1,781,898	-	1,781,898	1,728,497
Unrestricted	1,918,932	(1,643,018)	275,914	1,883,020
Total net assets	\$ 3,700,830	\$ (1,643,018)	\$ 2,057,812	\$ 3,611,517

RUTHERFORD COUNTY, NORTH CAROLINA

ENTERPRISE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS (DEFICIT)

For the year ended June 30, 2005
(With comparative totals for June 30, 2004)

	Solid Waste Fund	Solid Waste Reserve Fund	Totals	
			2005	2004
Operating Revenues:				
Charges for services	\$ 3,277,273	\$ -	\$ 3,277,273	\$ 3,227,006
Other operating revenues	197,921	-	197,921	213,493
Total operating revenues	<u>3,475,194</u>	<u>-</u>	<u>3,475,194</u>	<u>3,440,499</u>
Operating Expenses:				
Salaries	798,756	-	798,756	764,652
Employee benefits	223,836	-	223,836	207,331
Operating expenses	2,016,405	-	2,016,405	1,873,848
Landfill closure and postclosure care costs	-	6,501	6,501	(22,235)
Depreciation	265,505	-	265,505	267,593
Maintenance	62,800	-	62,800	93,992
Total operating expenses	<u>3,367,302</u>	<u>6,501</u>	<u>3,373,803</u>	<u>3,185,181</u>
Operating income	<u>107,892</u>	<u>(6,501)</u>	<u>101,391</u>	<u>255,318</u>
Nonoperating Revenues (Expenses):				
Interest income	35,174	-	35,174	35,788
Interest expense	(45,635)	-	(45,635)	(50,691)
Total nonoperating revenues (expenses)	<u>(10,461)</u>	<u>-</u>	<u>(10,461)</u>	<u>(14,903)</u>
Transfers:				
General Fund	(44,635)	125,000	80,365	(44,635)
Landfill postclosure expenditures	(34,718)	34,718	-	-
Total transfers	<u>(79,353)</u>	<u>159,718</u>	<u>80,365</u>	<u>(44,635)</u>
Increase in net assets	<u>18,078</u>	<u>153,217</u>	<u>171,295</u>	<u>195,780</u>
Net assets (deficit), beginning of year				
As previously reported	3,682,752	(71,235)	3,611,517	3,415,737
Prior period adjustment	-	(1,725,000)	(1,725,000)	-
As restated	<u>3,682,752</u>	<u>(1,796,235)</u>	<u>1,886,517</u>	<u>3,415,737</u>
Net assets (deficit), end of year	<u>\$ 3,700,830</u>	<u>\$ (1,643,018)</u>	<u>\$ 2,057,812</u>	<u>\$ 3,611,517</u>

RUTHERFORD COUNTY, NORTH CAROLINA

**SOLID WASTE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)**

For the year ended June 30, 2005

(With comparative actual amounts for the year ended June 30, 2004)

	2005		2004	
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Operating Revenues:				
Charges for services	\$ 3,156,500	\$ 3,277,273	\$ 120,773	\$ 3,227,006
Other operating revenues	233,900	197,921	(35,979)	213,493
Total operating revenues	<u>3,390,400</u>	<u>3,475,194</u>	84,794	<u>3,440,499</u>
Nonoperating Revenues:				
Interest income	34,500	35,174	674	35,788
Total revenues	<u>3,424,900</u>	<u>3,510,368</u>	85,468	<u>3,476,287</u>
Expenditures:				
Salaries		798,756		764,652
Employee benefits		223,836		207,331
Operating expenses		2,016,405		1,873,848
Landfill closure		34,718		32,829
Interest and fees		45,635		50,691
Debt principal		100,097		95,042
Capital outlay and maintenance		300,904		167,094
Total expenditures	<u>3,583,714</u>	<u>3,520,351</u>	63,363	<u>3,191,487</u>
Revenues over (under) expenditures	<u>(158,814)</u>	<u>(9,983)</u>	148,831	284,800
Other Financing Sources (Uses):				
Transfers in (out):				
General fund	(44,635)	(44,635)	-	(44,635)
Appropriated fund balance	203,449	-	(203,449)	-
Total other financing sources (uses)	<u>158,814</u>	<u>(44,635)</u>	(203,449)	<u>(44,635)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>(54,618)</u>	<u>\$ (54,618)</u>	240,165
Reconciling Items:				
Payment of debt principal		100,097		95,042
Capital outlay		238,104		73,102
Depreciation		(265,505)		(267,593)
Total reconciling items		<u>72,696</u>		<u>(99,449)</u>
Increase in net assets		<u>\$ 18,078</u>		<u>\$ 140,716</u>

RUTHERFORD COUNTY, NORTH CAROLINA

SOLID WASTE RESERVE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)

For the year ended June 30, 2005
(With comparative actual amounts for the year ended June 30, 2004)

	<u>2005</u>			<u>2004</u>
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures	-	-	-	-
Revenues over expenditures before transfers	\$ -	\$ -	\$ -	\$ -
Transfer from General Fund	-	125,000	125,000	-
Increase in net assets	\$ -	\$ 125,000	\$ 125,000	\$ -

Reconciliation from budgetary basis (modified accrual) to full accrual basis:

Excess of revenues and other sources over (under) expenditures	<u>\$ 125,000</u>
Reconciling Items:	
Landfill closure and postclosure care cost accrual	(6,501)
Payment of landfill closure by Solid Waste Fund	<u>34,718</u>
Total reconciling items	<u>28,217</u>
Increase in net assets	<u><u>\$ 153,217</u></u>

RUTHERFORD COUNTY, NORTH CAROLINA

ENTERPRISE FUNDS
COMBINING SCHEDULE OF CASH FLOWS
For the year ended June 30, 2005
(With comparative totals for June 30, 2004)

	Solid Waste Fund	Solid Waste Reserve Fund	Totals	
			2005	2004
Cash Flows from Operating Activities:				
Cash received from operating revenues	\$3,525,274	\$ -	\$ 3,525,274	\$3,441,587
Cash paid to employees for services	(798,756)	-	(798,756)	(770,535)
Cash paid for goods and services	(2,336,921)	(34,718)	(2,371,639)	(2,148,437)
Net cash provided (used) by operating activities	389,597	(34,718)	354,879	522,615
Cash Flows from Noncapital Financing Activities:				
Transfers to other funds	(79,353)	159,718	80,365	(44,635)
Net cash used by noncapital financing activities	(79,353)	159,718	80,365	(44,635)
Cash Flows from Capital and Related Financing Activities:				
Acquisition of capital assets	(238,104)	-	(238,104)	(70,636)
Sale of capital assets	19,294	-	19,294	-
Principal paid on debt	(100,097)	-	(100,097)	(95,042)
Interest paid on debt	(45,635)	-	(45,635)	(50,691)
Net cash used by capital and related financing activities	(364,542)	-	(364,542)	(216,369)
Cash Flows from Investing Activities:				
Interest income	35,174	-	35,174	35,788
Advances from (to) other funds	-	-	-	125,000
Net cash provided (used) by investing activities	35,174	-	35,174	160,788
Net increase (decrease) in cash and cash equivalents	(19,124)	125,000	105,876	422,399
Cash and cash equivalents at beginning of year	1,775,941	128,841	1,904,782	1,482,383
Cash and cash equivalents at end of year	\$1,756,817	\$ 253,841	\$ 2,010,658	\$1,904,782
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 107,892	\$ (6,501)	\$ 101,391	\$ 255,318
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	265,505	-	265,505	267,593
Landfill closure and postclosure care costs	-	(28,217)	(28,217)	(55,064)
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	50,079	-	50,079	1,094
Increase (decrease) in accounts payable and accrued liabilities	(33,880)	-	(33,880)	53,674
Total adjustments	281,704	(28,217)	253,487	267,297
Net cash provided (used) by operating activities	\$ 389,596	\$ (34,718)	\$ 354,878	\$ 522,615

RUTHERFORD COUNTY, NORTH CAROLINA

**INTERNAL SERVICE FUND
STATEMENT OF NET ASSETS
For the year ended June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
Assets		
Cash and cash equivalents	\$ 734,573	\$ 463,462
Accounts receivable	<u>-</u>	<u>1,567</u>
Total assets	<u><u>\$ 734,573</u></u>	<u><u>\$ 465,029</u></u>
Liabilities		
Accounts payable	<u>\$ 286,434</u>	<u>\$ 148,121</u>
Total liabilities	<u><u>286,434</u></u>	<u><u>148,121</u></u>
Net Assets		
Unrestricted	<u><u>448,139</u></u>	<u><u>316,908</u></u>
Total net assets	<u><u>\$ 734,573</u></u>	<u><u>\$ 465,029</u></u>

RUTHERFORD COUNTY, NORTH CAROLINA

INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the year ended June 30, 2005
(With comparative totals for June 30, 2004)

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Employer contributions	<u>\$ 2,668,372</u>	<u>\$ 2,669,127</u>
Total operating revenues	<u>2,668,372</u>	<u>2,669,127</u>
Operating expenses		
Claims and administration	<u>2,537,141</u>	<u>2,352,219</u>
Total operating expenses	<u>2,537,141</u>	<u>2,352,219</u>
Change in net assets	<u>131,231</u>	<u>316,908</u>
Total net assets - beginning	<u>316,908</u>	<u>-</u>
Total net assets - ending	<u>\$ 448,139</u>	<u>\$ 316,908</u>

RUTHERFORD COUNTY, NORTH CAROLINA

INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
For the year ended June 30, 2005
(With comparative totals for June 30, 2004)

	<u>2005</u>	<u>2004</u>
Cash Flows from Operating Activities:		
Receipts from employer contributions	\$ 2,669,939	\$ 2,667,560
Payments to insurer	<u>(2,398,828)</u>	<u>(2,204,098)</u>
Net cash provided by noncapital	<u>\$ 271,111</u>	<u>\$ 463,462</u>
 Net increase in cash and cash equivalents	 271,111	 463,462
 Cash and cash equivalents, July 1	 <u>463,462</u>	 <u>-</u>
Cash and cash equivalents, June 30	<u><u>\$ 734,573</u></u>	<u><u>\$ 463,462</u></u>
 Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	<u>\$ 131,231</u>	<u>\$ 316,908</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) in accounts receivable	1,567	(1,567)
Increase (decrease) in accounts payable	<u>138,313</u>	<u>148,121</u>
Total adjustments	<u>139,880</u>	<u>146,554</u>
 Net cash provided by operating activities	 <u><u>\$ 271,111</u></u>	 <u><u>\$ 463,462</u></u>

RUTHERFORD COUNTY, NORTH CAROLINA

COMPONENT UNIT RUTHERFORD COUNTY TRANSIT ADMINISTRATION SCHEDULE OF REVENUES AND EXPENDITURES BUDGET AND ACTUAL (NON-GAAP)

For the year ended June 30, 2005
(With comparative actual amounts for the year ended June 30, 2004)

	<u>2005</u>			<u>2004</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Charges for services	\$ 408,735	\$ 410,787	\$ 2,052	\$ 316,653
State transportation assistance grants	316,860	246,042	(70,818)	217,038
Total	<u>725,595</u>	<u>656,829</u>	<u>(68,766)</u>	<u>533,691</u>
Expenditures:				
Salaries		381,482		344,197
Employee benefits		95,951		82,331
Operating expenses		46,041		53,663
Capital outlay and maintenance		126,054		147,347
Total	<u>720,595</u>	<u>649,528</u>	<u>71,067</u>	<u>627,538</u>
Revenue over (under) expenditures	<u>5,000</u>	<u>7,301</u>	<u>2,301</u>	<u>(93,847)</u>
Other Financial Sources (Uses):				
Transfers:				
To primary government	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>
Total	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>
Excess of revenues over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 2,301</u>	<u>\$ 2,301</u>	<u>\$ (98,847)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis:				
Excess revenues and other sources over (under) expenditures and other uses		<u>\$ 2,301</u>		
Reconciling Items:				
Capital outlay - items capitalized		16,361		
Depreciation		<u>(100,362)</u>		
Total reconciling items		<u>(84,001)</u>		
Net income (loss)		<u><u>\$ (81,700)</u></u>		



RUTHERFORD COUNTY, NORTH CAROLINA

AGENCY FUNDS
COMBINING BALANCE SHEET
June 30, 2005
(With comparative totals for June 30, 2004)

	Agency				Totals	
	Social Service Fund	Agriculture Department Advisory Council Fund	Cities Tax Collection Fund	Detention Center Commissary Fund	2005	2004
Assets						
Cash and cash equivalents	\$ 115,230	\$ 17,181	\$ 77,523	\$ 28,042	\$237,976	\$ 201,258
	<u>\$ 115,230</u>	<u>\$ 17,181</u>	<u>\$ 77,523</u>	<u>\$ 28,042</u>	<u>\$237,976</u>	<u>\$ 201,258</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 115,230	\$ 17,181	\$ 77,523	\$ 28,042	\$237,976	\$ 201,258
Total liabilities	<u>115,230</u>	<u>17,181</u>	<u>77,523</u>	<u>28,042</u>	<u>237,976</u>	<u>201,258</u>
Fund Balances	-	-	-	-	-	-
	<u>\$ 115,230</u>	<u>\$ 17,181</u>	<u>\$ 77,523</u>	<u>\$ 28,042</u>	<u>\$237,976</u>	<u>\$ 201,258</u>

RUTHERFORD COUNTY, NORTH CAROLINA

**AGENCY FUNDS - COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
For the year ended June 30, 2005**

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
Social Services Fund				
Assets:				
Cash and cash equivalents	\$ 97,604	\$ 201,156	\$ 183,530	\$ 115,230
Liabilities:				
Accounts payable	\$ 97,604	\$ 201,156	\$ 183,530	\$ 115,230
Agricultural Department Advisory Council Fund				
Assets:				
Cash and cash equivalents	\$ 13,947	\$ 22,500	\$ 19,266	\$ 17,181
Liabilities:				
Accounts payable	\$ 13,947	\$ 22,500	\$ 19,266	\$ 17,181
Other Taxing Units				
Assets:				
Cash and cash equivalents	\$ 70,172	\$ 5,156,789	\$ 5,149,438	\$ 77,523
Liabilities:				
Accounts payable	\$ 70,172	\$ 5,156,789	\$ 5,149,438	\$ 77,523
Detention Center Commissary Fund				
Assets:				
Cash and cash equivalents	\$ 19,535	\$ 129,593	\$ 121,086	\$ 28,042
Liabilities:				
Accounts payable	\$ 19,535	\$ 129,593	\$ 121,086	\$ 28,042
Totals - All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 201,258	\$ 5,510,038	\$ 5,473,320	\$ 237,976
Liabilities:				
Accounts payable	\$ 201,258	\$ 5,510,038	\$ 5,473,320	\$ 237,976

RUTHERFORD COUNTY, NORTH CAROLINA

STATEMENT OF POSTEMPLOYMENT HEALTHCARE PLAN NET ASSETS
June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Assets		
Cash and cash equivalents	<u>\$ 980,124</u>	<u>\$ 1,011,552</u>
Total assets	<u>980,124</u>	<u>1,011,552</u>
Liabilities		
Accounts payable	<u>-</u>	<u>2,415</u>
Total liabilities	<u>-</u>	<u>2,415</u>
Net Assets		
Held in trust for pension benefits - health insurance	<u><u>\$ 980,124</u></u>	<u><u>\$ 1,009,137</u></u>

RUTHERFORD COUNTY, NORTH CAROLINA

STATEMENT OF CHANGES IN POSTEMPLOYMENT HEALTHCARE PLAN NET ASSETS

For the year ended June 30, 2005

(With comparative actual amounts for the year ended June 30, 2004)

	<u>2005</u>	<u>2004</u>
Additions		
Contributions - Mental Health Authority	\$ -	\$ 1,061,500
Interest earnings	<u>15,242</u>	<u>4,093</u>
Total additions	<u>15,242</u>	<u>1,065,593</u>
Deductions		
Benefits	34,264	48,512
Administrative expenses	<u>9,991</u>	<u>7,944</u>
Total deductions	<u>44,255</u>	<u>56,456</u>
Changes in net assets	(29,013)	1,009,137
Net assets, beginning	<u>1,009,137</u>	<u>-</u>
Net assets, ending	<u>\$ 980,124</u>	<u>\$ 1,009,137</u>

SUPPLEMENTAL FINANCIAL DATA

This section contains additional information on Taxes Receivable and Tax Levy.

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF GENERAL FUND AD VALOREM TAXES RECEIVABLE
June 30, 2005

Fiscal Year	Uncollected Balance July 1, 2004	Additions	Collections And Credits	Uncollected Balance June 30, 2005
2004-2005	\$ -	\$ 24,530,244	\$ 23,597,614	\$ 932,630
2003-2004	1,107,494	-	763,188	344,306
2002-2003	415,788	-	148,045	267,743
2001-2002	196,283	-	52,777	143,506
2000-2001	135,825	-	24,183	111,642
1999-2000	88,283	-	12,299	75,984
1998-1999	74,412	-	9,025	65,387
1997-1998	64,888	-	6,143	58,745
1996-1997	52,025	-	4,194	47,831
1995-1996	42,332	-	3,997	38,335
1994-1995	35,345	-	35,345	-
	<u>\$ 2,212,675</u>	<u>\$ 24,530,244</u>	<u>\$ 24,656,810</u>	<u>2,086,109</u>
Less allowance for uncollectible ad valorem taxes receivable				<u>577,000</u>
Ad valorem taxes receivable - net				<u><u>\$ 1,509,109</u></u>
Reconcilement with revenues:				
Ad valorem taxes - General fund				<u>\$ 24,286,479</u>
Reconciling items:				
Interest collected				(222,262)
Discounts/adjustments				557,248
Taxes written off				35,345
Total reconciling items				<u>370,331</u>
Total collections and credits				<u><u>\$ 24,656,810</u></u>

RUTHERFORD COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
GENERAL FUND
For the year ended June 30, 2005

			<u>Total Levy</u>		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	\$ 3,810,492,068	0.62	\$ 23,625,051	\$ 22,322,457	\$ 1,302,594
Registered motor vehicles taxed at prior year's rate	157,261,452	0.62	975,021	-	975,021
Penalties	-		23,050	23,050	-
Total	<u>3,967,753,520</u>		<u>24,623,122</u>	<u>22,345,507</u>	<u>2,277,615</u>
Discoveries:					
Current year taxes	<u>7,902,655</u>	0.62	48,996	48,996	-
Total	<u>7,902,655</u>		<u>48,996</u>	<u>48,996</u>	<u>-</u>
Advertising costs			10,998	10,998	
Abatements	<u>(23,162,424)</u>		<u>(152,872)</u>	<u>(120,181)</u>	<u>(32,691)</u>
Total property valuation	<u><u>\$ 3,952,493,751</u></u>				
Net levy			24,530,244	22,285,320	2,244,924
Uncollected taxes at June 30, 2005			<u>932,630</u>	<u>580,306</u>	<u>352,324</u>
Current year's taxes collected			<u>\$ 23,597,614</u>	<u>\$ 21,705,014</u>	<u>\$ 1,892,600</u>
Current levy collection percentage			<u>96.20%</u>	<u>97.40%</u>	<u>84.31%</u>

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF SPECIAL DISTRICTS AD VALOREM TAXES RECEIVABLE
June 30, 2005

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2004</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2005</u>
2004-2005	\$ -	\$ 1,303,675	\$ 1,245,654	\$ 58,021
2003-2004	68,989	-	49,244	19,745
2002-2003	20,605	-	8,974	11,631
2001-2002	10,838	-	3,078	7,760
2000-2001	7,959	-	1,372	6,587
1999-2000	5,055	-	771	4,284
1998-1999	3,863	-	521	3,342
1997-1998	3,468	-	301	3,167
1996-1997	2,814	-	254	2,560
1995-1996	2,013	-	228	1,785
1994-1995	1,861	-	1,861	-
	<u>\$ 127,465</u>	<u>\$ 1,303,675</u>	<u>\$ 1,312,258</u>	
Ad valorem taxes receivable				<u>\$ 118,882</u>
Reconcilement with revenues:				
Ad valorem taxes - Special districts				<u>\$ 1,298,965</u>
Reconciling items:				
Interest collected				(13,940)
Discounts/adjustment				25,372
Taxes written off				<u>1,861</u>
Total reconciling items				<u>13,293</u>
Total collections and credits				<u>\$ 1,312,258</u>

ANALYSIS OF CURRENT TAX LEVY
SPECIAL DISTRICTS LEVY
For the year ended June 30, 2005

	Property Valuation	Rate	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicle	Registered Motor Vehicles
Chimney Rock Fire					
Property taxed at current years rate	\$ 37,836,667	\$ 0.06	\$ 22,702	\$ 22,254	\$ 448
Motor vehicles taxed at prior years rate	361,667	0.06	217	-	217
Sandy Mush Fire					
Property taxed at current years rate	206,380,000	0.04	82,552	75,651	6,901
Motor vehicles taxed at prior years rate	12,205,000	0.04	4,882	-	4,882
Cliffside Sanitary					
Property taxed at current years rate	7,345,000	0.08	5,876	5,705	171
Motor vehicles taxed at prior years rate	170,000	0.08	136	-	136
Bills Creek Fire					
Property taxed at current years rate	77,572,857	0.07	54,301	52,107	2,194
Motor vehicles taxed at prior years rate	3,325,714	0.07	2,328	-	2,328
Shingle Hollow Fire					
Property taxed at current years rate	58,751,000	0.10	58,751	54,152	4,599
Motor vehicles taxed at prior years rate	3,059,000	0.10	3,059	-	3,059
Shiloh, Danielstown, and Oakland Fire					
Property taxed at current years rate	258,932,000	0.05	129,466	119,438	10,028
Motor vehicles taxed at prior years rate	16,132,000	0.05	8,066	-	8,066
Cherry Mountain Fire					
Property taxed at current years rate	91,527,778	0.09	82,375	77,837	4,538
Motor vehicles taxed at prior years rate	4,437,778	0.09	3,994	-	3,994
Hudlow Fire					
Property taxed at current years rate	198,756,250	0.08	159,005	149,547	9,458
Motor vehicles taxed at prior years rate	8,573,750	0.08	6,859	-	6,859
Rutherfordton Fire					
Property taxed at current years rate	148,580,000	0.07	104,006	97,231	6,775
Motor vehicles taxed at prior years rate	7,100,000	0.07	4,970	-	4,970
Cliffside Fire					
Property taxed at current years rate	179,182,222	0.045	80,632	76,088	4,544
Motor vehicles taxed at prior years rate	7,373,333	0.045	3,318	-	3,318
Ellenboro Fire					
Property taxed at current years rate	215,638,333	0.06	129,383	118,224	11,159
Motor vehicles taxed at prior years rate	15,275,000	0.06	9,165	-	9,165

Releases		(4,164)	(2,839)	(1,325)
Net levy		1,303,675	1,157,057	146,618
Less: uncollected taxes at June 30, 2005		58,021	35,818	22,203
Current year taxes collected		\$1,245,654	\$ 1,121,239	\$ 124,415
Percent current year collected		95.55%	96.90%	84.86%

RUTHERFORD COUNTY, NORTH CAROLINA Page 2 of 2

**ANALYSIS OF CURRENT TAX LEVY
SPECIAL DISTRICTS LEVY
For the year ended June 30, 2005**

			Total Levy		
			Property excluding Registered Motor Vehicle	Registered Motor Vehicles	
	Property Valuation	Rate	Total Levy		
Bostic Fire					
Property taxed at current years rate	76,856,000	0.05	38,428	35,027	3,401
Motor vehicles taxed at prior years rate	5,124,000	0.05	2,562	-	2,562
Union Mills Fire					
Property taxed at current years rate	100,132,000	0.05	50,066	46,913	3,153
Motor vehicles taxed at prior years rate	5,020,000	0.05	2,510	-	2,510
Green Hill Fire					
Property taxed at current years rate	128,601,429	0.07	90,021	83,753	6,268
Motor vehicles taxed at prior years rate	6,754,286	0.07	4,728	-	4,728
Hollis Fire					
Property taxed at current years rate	21,153,333	0.03	6,346	5,950	396
Motor vehicles taxed at prior years rate	1,183,333	0.03	355	-	355
Contracted Fire					
Property taxed at current years rate	484,493,333	0.03	145,348	135,725	9,623
Motor vehicles taxed at prior years rate	23,793,333	0.03	7,138	-	7,138
Total			1,303,545	1,155,602	147,943
Penalties			1,395	1,395	-
Discoveries			2,899	2,899	-
Gross tax levy			1,307,839	1,159,896	147,943
Releases			(4,164)	(2,839)	(1,325)
Net levy			1,303,675	1,157,057	146,618
Less: uncollected taxes at June 30, 2005			58,021	35,818	22,203
Current year taxes collected			\$1,245,654	\$ 1,121,239	\$ 124,415
Percent current year collected			95.55%	96.90%	84.86%

Statistical Section

The Statistical Section includes data extracted from prior years' financial reports and various other sources. The data is rounded to significant digits to more clearly illustrate existing trends.

The information presented in this section does not provide full and adequate disclosure of financial information for prior years required by generally accepted accounting principles. Such information is provided for supplementary analysis purposes and should be relied on only for the purpose specified.

RUTHERFORD COUNTY, NORTH CAROLINA

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION ⁽¹⁾
Last ten fiscal years

<u>Fiscal Year Ended June 30</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Environmental Protection</u>	<u>Economic & Physical Development</u>
2005	\$ 5,703,555	\$ 11,476,343	\$ 122,584	\$ 2,443,409
2004	4,800,673	10,421,427	118,839	2,101,815
2003	4,560,320	9,852,175	100,813	1,055,040
2002	4,356,056	9,020,892	107,310	564,103
2001	4,244,612	9,089,757	110,388	2,849,302
2000	5,162,891	8,571,300	108,555	478,063
1999	4,171,871	8,101,733	107,880	245,560
1998	3,570,479	7,411,190	106,391	237,139
1997	3,670,570	8,045,351	102,144	630,525
1996	2,961,175	6,335,641	397,871	472,769

⁽¹⁾ Includes General, Special Revenue, Debt Service and Capital Projects Funds.

⁽²⁾ Includes construction costs of the School Construction Capital Project Fund.

<u>Human Services</u>	<u>Cultural and Recreational</u>	<u>Education</u>	<u>Capital Outlay(2)</u>	<u>Debt Service</u>	<u>Total</u>
\$ 14,791,299	\$ 424,877	\$ 12,081,683	\$ 3,281,177	\$ 6,718,871	\$ 57,043,798
13,754,017	398,368	11,311,729	18,381,582	6,714,299	68,002,749
13,119,093	361,562	10,830,042	10,503,729	6,363,542	56,746,316
12,220,518	343,050	11,009,323	3,562,597	4,978,153	46,162,002
11,828,810	377,697	10,210,333	7,325,546	4,944,697	50,981,142
11,068,478	415,102	9,741,755	8,957,508	4,968,895	49,472,547
9,618,938	369,971	9,134,974	10,541,447	5,009,027	47,301,401
8,262,779	323,519	9,563,790	7,875,252	5,271,074	42,621,613
8,445,156	306,324	9,076,737	2,886,671	5,441,208	38,604,686
7,892,106	293,533	9,092,355	3,092,085	5,521,092	36,058,627

RUTHERFORD COUNTY, NORTH CAROLINA

GENERAL GOVERNMENTAL REVENUES BY SOURCE⁽¹⁾
Last ten fiscal years

Ad Valorem Taxes	Other Taxes	Unrestricted Inter governmental Revenues	Licenses and Permits	Restricted Inter governmental Revenues	Other	Total
\$ 25,585,444	\$ 11,999,272	\$ -	\$ 1,151,302	\$ 10,834,718	\$ 3,585,662	\$53,156,398
24,992,262	11,837,956	-	1,012,848	9,109,617	4,456,236	51,408,919
25,272,124	9,532,653	-	1,092,816	9,031,207	3,730,260	48,659,060
21,829,759	9,070,582	1,221,268	852,716	6,729,260	2,912,904	42,626,435
20,370,817	9,061,456	1,820,061	734,623	12,469,970	3,108,575	47,565,502
18,373,139	8,692,554	1,818,825	680,697	13,678,284	3,889,595	47,133,094
17,122,048	8,208,584	1,847,778	675,287	13,996,673	3,015,380	44,865,750
17,190,195	7,854,761	1,865,344	625,419	12,741,869	3,105,375	43,382,963
16,104,879	7,575,693	1,873,171	543,978	5,793,491	2,594,769	34,485,981
15,905,613	7,435,201	1,844,123	514,418	5,024,159	2,684,855	33,408,369

⁽¹⁾ Includes General, Special Revenue, Debt Service and Capital Project Funds.

RUTHERFORD COUNTY, NORTH CAROLINA

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
Last ten fiscal years

<u>Fiscal Year Ended June 30</u>	<u>Ad Valorem Taxes</u>	<u>Local Option Sales Tax</u>	<u>Intangibles Tax Reim- bursements</u>	<u>Homestead Exemption</u>	<u>Inventory Tax Reim- bursements</u>	<u>Total</u>
2005	\$ 25,585,444	\$ 11,743,695	\$ -	\$ -	\$ -	\$ 37,329,139
2004	24,992,262	11,837,956	-	-	-	36,830,218
2003	25,272,124	9,532,653	-	-	-	34,804,777
2002	21,839,759	8,763,472	502,616	-	637,472	31,743,319
2001	20,370,817	8,778,747	491,747	64,499	1,268,312	30,974,122
2000	18,373,139	8,422,527	490,207	64,499	1,268,217	28,618,589
1999	17,122,048	7,961,772	490,138	92,356	1,269,083	26,935,397
1998	17,190,195	7,646,500	492,532	99,696	1,272,010	26,700,933
1997	16,104,879	7,381,858	499,681	64,499	1,276,631	25,327,548
1996	15,905,613	7,198,775	502,446	64,499	1,280,495	24,951,828

RUTHERFORD COUNTY, NORTH CAROLINA**PROPERTY TAXES LEVIED AND COLLECTED⁽¹⁾**
Last ten fiscal years

<u>Fiscal Year Ended June 30</u>	<u>Tax Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Year Collections</u>	<u>Prior Tax Years Collections</u>	<u>% of Current Tax Year Collections</u>	<u>Total Tax Collections</u>
2005	2004	\$25,833,919	\$24,843,268	\$ 1,054,546	96.2	\$25,897,814
2004	2003	25,510,187	24,333,704	937,075	95.4	25,270,779
2003	2002	25,696,721	24,565,452	929,340	95.6	25,494,792
2002	2001	22,245,921	21,218,393	730,744	95.4	21,949,137
2001	2000	20,680,487	19,787,900	690,513	95.7	20,478,413
2000	1999	18,567,515	17,774,198	598,941	95.7	18,373,139
1999	1998	17,361,813	16,550,333	571,748	95.3	17,122,081
1998	1997	17,300,180	16,581,793	608,402	95.8	17,190,195
1997	1996	16,234,947	15,526,236	578,643	95.6	16,104,879
1996	1995	15,814,786	15,124,675	860,481	95.6	15,985,156

⁽¹⁾ Includes general fund and special districts.

RUTHERFORD COUNTY, NORTH CAROLINA

PROPERTY TAX RATES - DIRECT AND ALL OVERLAPPING GOVERNMENTS (Per \$100 of assessed valuation) For the last ten fiscal years

Fiscal Year Ending 30-Jun	Name of Government												
	Rutherford County		Forest City	Spindale	Rutherfordton		Ellenboro	Lake Lure	Bostic	Alexander Mills (1)		Ruth	Chimney Rock Village
2005	\$	0.62	\$0.28	\$ 0.51	\$	0.49	\$ 0.25	\$0.28	\$0.25	\$	-	\$0.26	\$ 0.12
2004		0.62	0.26	0.45		0.49	0.25	0.28	0.25		-	0.26	0.12
2003		0.62	0.24	0.45		0.49	0.25	0.27	0.25		-	0.26	0.13
2002		0.66	0.24	0.45		0.49	0.28	0.32	0.25		-	0.26	0.14
2001		0.63	0.24	0.42		0.49	0.28	0.32	0.25		-	0.26	0.14
2000		0.57	0.24	0.42		0.49	0.28	0.32	0.25		-	0.26	0.14
1999		0.55	0.24	0.42		0.49	0.28	0.31	0.25		0.3	0.26	0.14
1998		0.55	0.24	0.42		0.49	0.28	0.3	0.25		0.38	0.26	0.14
1997		0.55	0.24	0.42		0.45	0.28	0.3	0.25		0.32	0.26	0.14
1996		0.56	0.24	0.4		0.41	0.28	0.26	0.25		0.3	0.26	0.14

Note: Property was revalued in 2003.

⁽¹⁾ Alexander Mills merged with Forest City in 2000.

RUTHERFORD COUNTY, NORTH CAROLINA**ASSESSED VALUE OF TAXABLE PROPERTY**

For the last ten fiscal years

(In thousands)

<u>Fiscal Year Ended June 30</u>	<u>Assessed Values</u>			
	<u>Real Property</u>	<u>Personal Property</u>	<u>Public Service Companies</u>	<u>Total</u>
2005	\$ 2,955,234	\$ 752,427	\$ 244,833	\$ 3,952,494
2004	2,879,335	768,594	252,769	3,900,698
2003	2,824,379	862,859	242,451	3,929,689
2002	2,181,264	844,710	185,699	3,211,673
2001	2,099,696	828,745	205,748	3,134,189
2000	2,048,387	831,010	207,819	3,087,216
1999	1,998,511	810,043	208,010	3,016,564
1998	1,956,870	793,195	235,042	2,985,107
1997	1,907,728	661,122	230,769	2,799,619
1996	1,864,813	606,843	220,246	2,691,902

RUTHERFORD COUNTY, NORTH CAROLINA

TEN LARGEST TAXPAYERS
(Ad valorem property tax assessments)
June 30, 2005

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Values Thousands</u>	<u>Percentage of Value to Total</u>	<u>Tax Levy</u>
Duke Energy Company	Public Utility	\$ 175,106	4.43%	\$ 1,085,657
Fairfield Communities	Resort Properties	32,549	0.82%	201,804
Bell South	Public Utility	32,457	0.82%	201,233
Cone Mills Corporation	Textiles	24,532	0.62%	152,098
Watts Regulator	Manufacturing	23,355	0.59%	144,801
Broyhill Furniture	Furniture Manufacturing	21,748	0.55%	134,838
Rutherford Electric Membership Corp.	Electric Membership	20,502	0.52%	127,112
Timken U.S. Corp	Manufacturing	17,859	0.45%	110,726
National Textiles, Inc.	Textiles	17,150	0.43%	106,330
RCM Management Services LLP	Airplane	17,000	0.43%	105,400
Other		3,570,236	90.33%	22,160,245
	Totals	<u>\$ 3,952,494</u>	<u>100.00%</u>	<u>\$ 24,530,244</u>

RUTHERFORD COUNTY, NORTH CAROLINA

GENERAL BONDED DEBT - PER CAPITA AND AS A
PERCENTAGE OF ASSESSED VALUE OF TAXABLE PROPERTY
For the last ten fiscal years
(In thousands)

<u>Fiscal Year Ended 30-Jun</u>	<u>Population (Estimated)</u>	<u>Assessed Value of Taxable Property</u>	<u>Net General Bonded Debt Total</u>	<u>Bonded Debt - Per Capital (Dollars)</u>	<u>Net Bonded Debt % of Valuation</u>
2005	63	\$ 3,952,494	\$ 13,765	\$ 218.50	0.35
2004	64	3,900,698	16,050	250.78	0.42
2003	63	3,929,689	18,420	292.38	0.46
2002	63	3,211,673	19,145	303.89	0.6
2001	63	3,134,189	21,365	339.13	0.68
2000	60	3,087,216	23,590	393.17	0.76
1999	60	3,016,564	25,820	430.33	0.86
1998	60	2,985,107	28,055	467.58	0.94
1997	60	2,799,619	30,290	504.83	1.08
1996	59	2,691,902	32,530	551.36	1.21

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF LEGAL DEBT MARGIN June 30, 2005

Legal debt margin:

Assessed value - January 1, 2004		<u>\$ 3,952,493,750</u>
Debt limit - 8% of assessed value		316,199,500
Debt applicable to debt limit:		
General Obligation Bonds	\$ 13,765,000	
Other outstanding debt	<u>40,099,028</u>	
Net debt applicable to debt limit		<u>53,864,028</u>
Legal debt margin - June 30, 2005		<u>\$ 262,335,472</u>

COMPUTATION OF DIRECT AND UNDERLYING DEBT GENERAL OBLIGATION BONDS

	<u>Net General Obligation Bonded Debt</u>	<u>Percent Applicable To County</u>	<u>Amount Applicable To County</u>
Direct:			
Rutherford County	<u>\$ 13,765,000</u>	100%	<u>\$ 13,765,000</u>
Underlying:			
Ellenboro	224,000	100%	224,000
Spindale	<u>510,000</u>	100%	<u>510,000</u>
Totals	<u>\$ 14,499,000</u>		<u>\$ 14,499,000</u>

Source: Local finance offices as reported to North Carolina Local Government Commission.

RUTHERFORD COUNTY, NORTH CAROLINA

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
For the last ten fiscal years
(In thousands)

Fiscal Year Ended June 30	General Bonded Debt			Total General Expenditures(1)	% of Bonded Debt Service To Total General Expenditures
	Principal	Interest	Total Debt Service Expenditures		
2005	\$ 2,285	\$ 551	\$ 2,836	\$ 57,044	4.96
2004	2,370	726	3,096	68,003	4.55
2003	2,200	966	3,166	56,746	5.62
2002	2,220	1,079	3,299	46,162	7.15
2001	2,225	1,204	3,429	50,981	6.72
2000	2,230	1,329	3,559	49,473	7.19
1999	2,235	1,454	3,689	47,301	7.8
1998	2,235	1,579	3,814	42,621	8.95
1997	2,240	1,704	3,944	38,605	10.22
1996	2,245	1,829	4,074	36,059	11.3

⁽¹⁾Includes General, Special Revenue, Debt Service and Capital Projects Funds.

RUTHERFORD COUNTY, NORTH CAROLINA

DEMOGRAPHIC STATISTICS

Last ten fiscal years

<u>Fiscal Year Ended June 30</u>	<u>Population Estimate(1)</u>	<u>Estimated Median Age</u>	<u>Public School Enrollment(2)</u>
2005	63,397	39.87	9,882
2004	63,861	39.49	9,967
2003	63,432	39.15	10,038
2002	63,397	38.87	10,079
2001	62,899	38.5	10,069
2000	60,140	38.1	10,088
1999	60,100	37.7	10,135
1998	59,396	37.3	10,148
1997	59,868	37	10,089
1996	59,082	37	9,953

(1) 2001 population is from U.S. Census. 1996-2000 and 2002- 2005, population projected by the Office of State Planning.

(2) Public school enrollment from the North Carolina Department of Public Instruction.

RUTHERFORD COUNTY, NORTH CAROLINA**CIVILIAN LABOR FORCE ESTIMATES⁽¹⁾**

For the last ten fiscal years

<u>Fiscal Year Ended June 30</u>	<u>Civilian Labor Force</u>	<u>Labor Employment</u>	<u>Labor Unemployment</u>	<u>Unemployment Rate as a %</u>
2005	29,489	26,918	2,571	8.7
2004	29,961	26,708	3,253	10.9
2003	28,672	25,807	2,865	10
2002	28,660	25,410	3,250	11.3
2001	28,140	26,110	2,030	7.2
2000	29,830	27,850	2,250	7.5
1999	29,930	28,070	1,860	6.2
1998	29,710	28,350	1,360	4.6
1997	30,810	29,210	1,600	5.2
1996	31,620	29,250	2,370	7.5
1995	30,280	28,660	1,620	5.4

⁽¹⁾Labor force estimates from the Employment Security Commission Labor Market Information Division.

RUTHERFORD COUNTY, NORTH CAROLINA

PUBLIC EDUCATION INFORMATION⁽¹⁾
For the last ten fiscal years

<u>Fiscal Year Ended June 30</u>	<u>Average Membership</u>	<u>Total Pupil Expenditures (Thousands)</u>	<u>Per Pupil Expenditures</u>	<u>County Appropriation Included in Total Expenditures</u>	
				<u>Current Expense (Thousands)</u>	<u>Capital Outlay (Thousands)</u>
2005	9,882	\$ 69,700	\$ 7,053	\$ 10,224	\$ 200
2004	9,967	68,962	6,919	9,504	350
2003	10,038	67,290	6,703	9,183	220
2002	10,079	69,669	6,912	9,289	1,452
2001	10,069	73,405	7,290	8,833	1,000
2000	10,088	72,819	7,218	8,216	5,928
1999	10,135	72,713	7,174	7,662	3,799
1998	10,148	66,208	6,524	7,355	1,188
1997	10,089	53,259	5,278	7,185	939
1996	9,953	48,483	4,871	7,080	1,508

⁽¹⁾Public education information from the North Carolina Department of Public Instruction Information Center.

RUTHERFORD COUNTY, NORTH CAROLINA

NEW CONSTRUCTION COST⁽¹⁾
For the last ten fiscal years
(In thousands)

<u>Fiscal Year Ended June 30</u>	<u>New Homes</u>	<u>Multiple Units</u>	<u>Commercial</u>	<u>Other</u>	<u>Total</u>
2005	\$ 46,633	\$ 2,070	\$ 18,572	\$ 18,207	\$ 85,482
2004	43,668	904	11,152	13,137	68,861
2003	33,167	3,715	33,342	15,557	85,780
2002	39,268	130	7,284	28,204	74,886
2001	30,935	582	11,059	17,447	60,023
2000	30,472	859	30,760	13,723	75,814
1999	30,564	2,884	20,890	11,555	65,893
1998	24,767	1,480	23,204	12,635	62,086
1997	23,857	776	18,376	8,186	51,195
1996	21,445	1,021	21,157	13,074	56,697

⁽¹⁾ New construction information from Rutherford County and Town of Forest City Building Inspector Departments.

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF SURETY BONDS IN FORCE
June 30, 2005

Surety Bonds		Policy Maturity	Amount
Finance Officer	Robert Bole	11/01/05	\$ 100,000
County Manager	John Condrey	10/03/05	100,000
Coroner	Shane Earley	12/03/05	2,000
Tax Supervisor	Rick Johnson	01/09/06	100,000
Sheriff	Dan Good	12/03/05	10,000
Register of Deeds	Faye Huskey	12/05/05	10,000
Department of Social Services Director	John Carroll	11/11/05	100,000
Public Employees Faithful Performance		06/30/05	250,000

RUTHERFORD COUNTY, NORTH CAROLINA

SALARIES OF PRINCIPAL OFFICIALS
June 30, 2005

<u>Position</u>	<u>Employee</u>	<u>Salary</u>
Chairman of Board	Charles Hill	\$ 9,032
County Manager	John Condrey	78,642
Finance Director	Robert Bole	69,798
Tax Administrator	Rick Johnson	56,139
Social Services Director	John Carroll	62,774
Register of Deeds	Faye H. Huskey	55,943
Sheriff	Dan Good	68,936

RUTHERFORD COUNTY, NORTH CAROLINA

MISCELLANEOUS STATISTICAL INFORMATION

June 30, 2005

Date of Incorporation	1779
Form of Government	Commissioner - Manager
Number of Employees (Full Time)	358
Area in Square Miles	566
Major Employment	Manufacturing - Textiles
Impact of tourism expenditures	\$107 Million (2005)
Tourist Lodging Capacity	1,250 rooms

Rutherford County Facilities and Services:

Highways:

Miles of Secondary Roads	928
Number of U.S. Highways	4
Number of NC Highways	3

Fire Protection:

Number of Fire Districts	14
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Culture and Recreation:

Park Acreage	23
Public Libraries	3

Education:

Approved Bond Referendum	\$40 Million
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Facilities and Services Not Included in the Reporting Entity:

Education:

Number of Elementary Schools	11
Number of Middle Schools	3
Number of Secondary Schools	3
Number of Employees	1,437
Number of Community Colleges	1
Number of Employees	184

Hospitals:

Number of Hospitals	1
Number of Patient Beds	143
Number of employees	800



Gould Killian CPA Group, P.A.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

To the Board of County Commissioners
Rutherford County, North Carolina

We have audited the basic financial statements of Rutherford County, North Carolina as of and for the year ended June 30, 2005, and have issued our report thereon dated October 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Rutherford County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rutherford County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal and State awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Gould Killian CPA Group, P.A.

Asheville, North Carolina
November 15, 2005

Gould Killian CPA Group, P.A.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Report On Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133

To the Board of Commissioners
Rutherford County, North Carolina

Compliance

We have audited the compliance of Rutherford County, North Carolina, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, that are applicable to each of its major federal programs for the year ended June 30, 2005. Rutherford County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Rutherford County's management. Our responsibility is to express an opinion on Rutherford County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rutherford County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Rutherford County's compliance with those requirements.

In our opinion, Rutherford County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Rutherford County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Rutherford County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 15, 2004

Gould Killian CPA Group, P.A.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 And The State Single Audit Implementation Act

To the Board of Commissioners
Rutherford County, North Carolina

Compliance

We have audited the compliance of Rutherford County, North Carolina, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2005. Rutherford County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Rutherford County's management. Our responsibility is to express an opinion on Rutherford County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Rutherford County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Rutherford County's compliance with those requirements.

In our opinion, Rutherford County complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Rutherford County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered Rutherford County's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major State program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and State awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 15, 2004

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the year ended June 30, 2005

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Federal</u> <u>(Direct &</u> <u>Pass-through)</u> <u>Expenditures</u>	<u>State</u> <u>Expenditure</u>
Federal Awards				
<u>U.S. Department of Agriculture</u>				
Passed-through N.C. Department of Health and Human Services:				
Division of Social Services:				
<u>Food Stamp Cluster:</u>				
Food Stamp Administration	10.561		\$ 293,444	-
Food Stamp Benefit Direct Payments	10.551		8,053,566	-
			<u>8,347,010</u>	<u>-</u>
Passed-through Isothermal Planning and Development				
Commission:				
USDA Supplement-Noncash	10.570		48,790	-
			<u>48,790</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>8,395,800</u>	<u>-</u>
<u>U.S. Department of Housing & Urban Development</u>				
Passed-through N.C. Department of Commerce:				
Community Development Block Grant	14.228	03-C-1205	129,550	-
Community Development Block Grant	14.228	02-C-1036	152,437	-
Community Development Block Grant	14.228	03-C-1098	104,355	-
			<u>386,342</u>	<u>-</u>
Total U.S. Department of Housing & Urban Development			<u>386,342</u>	<u>-</u>
<u>U.S. Department of Justice</u>				
Passed-through N.C. Department of Administration:				
One Stop Absentee Voting	16.104		5,448	-
BOE Technology	16.104		34,183	-
Voting List Maintenance	16.104		1,983	-
			<u>41,614</u>	<u>-</u>
Total U.S. Department of Justice			<u>41,614</u>	<u>-</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the year ended June 30, 2005

Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA <u>Number</u>	State/ Pass-through Grantor's <u>Number</u>	Federal (Direct & Pass-through) <u>Expenditures</u>	State <u>Expenditures</u>
<u>U.S. Department of Transportation</u>				
Passed-through N.C. Department of Transportation:				
Community Transportation Program	20.509	04-CT-068	131,804	25,843
State Block Grant Program-Airport	20.106		97,797	-
Total U.S. Department of Transportation			229,601	25,843
<u>U.S. Department of Homeland Security</u>				
Passed-through N.C. Department of Crime:				
Control and Public Safety:				
Homeland Security - Phase I	16.607		42,462	-
Homeland Security - Phase II	16.607		192,253	-
Disaster Relief - Hurricanes Ivan and Francis	97.030		7,238	1,314
Hazard Mitigation	97.039		5,300	-
Total U.S. Department of Homeland Security			247,253	1,314
<u>U.S. Department of Health and Human Services</u>				
Passed-through N.C. Department of Health and Human Services:				
Division of Social Services:				
TANF-Direct Benefit Payments	93.558		954,898	-
AFDC Direct Benefit Payments	93.558		(3,984)	(1,092)
Work First/Temporary Assistance for Needy Families (TANF)	93.558		682,016	2,980
Title IV-D Child Support Enforcement Admin	93.563		303,205	-
Energy Assistance-Direct Benefit Payments	93.568		175,009	-
Administration	93.568		21,733	-
Crisis Intervention Payments	93.568		143,541	-
Child Care Development Fund Administration	93.596		88,780	-
			2,365,198	1,888

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the year ended June 30, 2005

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
Division of Child Development:				
<u>Subsidized Child Care Cluster:</u>				
Child Care Development Fund- Discretionary	93.575		644,236	-
Child Care Development Fund- Mandatory (CCDF)	93.596		321,364	-
Child Care Development Fund- Match (CCDF)	93.596	18111810VE	371,028	213,571
Social Service Block Grant	93.667		14,911	-
Child Care Development Block Fund - TANF	93.558		182,123	-
Total Child Care Fund Cluster			1,533,662	213,571
Smart Start		1711174040	-	61,178
State Appropriations – TANF		1811181200	-	97,488
More at Four State Funding			-	737
TANF-Maintenance of Effort		18111810T6	-	571,514
Total Subsidized Child Care Cluster			1,533,662	944,488
Division of Social Services:				
<u>Foster Care and Adoption Cluster:</u>				
Title IV-E Foster Care Administration	93.658		323,133	75,859
Title IV-E Foster Care-Direct Benefit Payments	93.658		179,201	38,791
Title IV-E Adoption Assistance				
-Direct Benefit Payments	93.659		277,179	78,882
Adoption/Foster care	93.658		535,336	60,700
Total Foster Care and Adoption Cluster			1,314,849	254,232
Title IV-B Adoption Assistance Program:				
Permanency Planning-Grant.	93.645		20,102	5,230
Independent Living Initiative-Links	93.674		35,475	8,869
Social Services Block Grant:				
Family Planning Administration	93.667		4,325	-
Other Services & Training	93.667		229,334	23,786
In-Home Services	93.667		47,013	-
Adult Day Care	93.667		11,954	7,801
			348,203	45,686
Division of Medical Assistance:				
Title XIX Medical Assistance Program				
-Direct Benefit Payments	93.778		46,760,225	22,270,788
Adult Care Home Case Management	93.778		134,149	65,676
MA Expansion	93.778		14,276	14,276
Medical Assistance Administration	93.778		522,288	-
Medical Transportation	93.778		31,779	1,911
NC Health Choice	93.767		12,581	2,839
			47,475,298	22,355,490

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the year ended June 30, 2005

Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA <u>Number</u>	State/ Pass-through Grantor's <u>Number</u>	Federal (Direct & Pass-through) <u>Expenditures</u>	State <u>Expenditures</u>
Division of Aging:				
Passed-through Isothermal Planning & Development Commission:				
<u>Aging Cluster:</u>				
Title III-F 90% F/S Preventive				
Health Screening	93.043		7,072	419
Title III-B In-Home Services	93.044		125,085	7,354
Title III-C1 Congregate Nutrition	93.045		100,226	5,895
Title III-C2 Home Delivered Meals	93.045		52,261	3,074
Senior Center Outreach			-	1,173
Senior Center General Fund			-	5,912
Title III-Chore	93.044		46,649	2,742
Total Aging Cluster			331,293	26,569
Health Resources and Services Administration Passed-through N.C. Office of Emergency Medical Services:				
Bioterrorism Training and Curriculum	93.003	6 U3RMC00010-02	3,517	-
Total Department of Health & Human Services			53,413,634	23,374,121
Total Federal Awards			62,672,630	23,401,278
State Awards				
<u>N.C. Department of Health and Human Services:</u>				
Division of Social Services:				
State Foster Home			-	69,766
Foster Care-Benefits Program			-	99,134
Foster Care-At Risk Benefits Program			-	15,175
SC/SA Domiciliary Care-Direct Payments			-	1,105,823
dcd Smart Start			-	50,000
State Adult Protective Services			-	39,860
State Aid to Counties			-	38,482
Total Division of Social Services			-	1,418,240
Division of Veteran Affairs:				
County Veterans Service Program			-	2,000
Total N.C. Department of Health and Human Services			-	1,420,240

RUTHERFORD COUNTY, NORTH CAROLINA

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SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the year ended June 30, 2005

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Federal</u> <u>(Direct &</u> <u>Pass-through)</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>
<u>N.C. Department of Environmental and Natural Resources:</u>				
Soil Conservation Service:				
SWC Administration			-	4,000
SWC Agriculture Cost Share			-	22,233
Scrap Tire Grant			-	13,074
White Goods			-	12,405
Clean Water Management Trust		GA03017	-	168,411
Community Waste Reduction & Recycling		H05017	-	2,679
Total N.C. Department of Environmental and Natural Resources			-	222,802
<u>N.C. Department of Transportation:</u>				
Public Transportation Division:				
Elderly and Handicapped Tap-Medicaid		ROAP	-	50,971
Work First Transportation		ROAP	-	10,893
Rural General Public Transportation		ROAP	-	36,104
Total N.C. Department of Transportation			-	97,968
<u>The Rural Center:</u>				
Source Water		02-63-71	-	26,500
Tracker Sewer Line		02-66-59	-	289,500
Pinnacle Gilkey Water		02-70-09	-	382,139
E Communities RIAA		13-16-09	-	500
Total The Rural Center			-	698,639
<u>N.C. Department of Cultural Resources:</u>				
State Aid to Public Libraries		536960	-	133,176
Total N.C. Department of Cultural Resources			-	133,176

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the year ended June 30, 2005

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Federal</u> <u>(Direct &</u> <u>Pass-through)</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>
Office of the Governor:				
<u>Department of Juvenile Justice & Delinquency Prevention</u>				
Psychological Services to the Juvenile Court		181024	-	5,340
Temporary Shelter Care		181041	-	6,480
Youth Empowerment		181009	-	88,104
Parental Empowerment		181002	-	5,773
JCPC Administartion		181000	-	8,550
Project Challenge		181043	-	50,671
C-STOP Counselor		181030	-	16,000
Juvenile Mediation		181017	-	10,000
Total Division of Juvenile Justice			-	190,918
<u>N.C. Arts Council</u>				
Grassroots Arts Program			-	9,295
Total Office of the Governor			-	200,213
Total State Awards			-	2,773,038
Total Federal and State Awards			<u>\$62,672,630</u>	<u>\$26,174,316</u>

Notes to the Schedule of Expenditures of Federal and State Awards:

1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Rutherford County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements. Benefit payments directly to recipients and are not included in the County's basic financial statements. However, due to the County's involvement in determining eligibility, they are considered federal awards to the County and are included on this schedule.

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the year ended June 30, 2005

I. Summary of Auditor's Results

- A. An unqualified opinion was issued on the financial statements of Rutherford County.
- B. Our audit of the basic financial statements disclosed no instances of noncompliance with laws, regulations and the provisions of contracts and grant agreements that are material to the basic financial statements.
- C. There were no single audit compliance findings required to be reported.
- D. An unqualified opinion was issued on Rutherford County's compliance with the types of compliance requirements applicable to its major federal and state programs.
- E. Major federal programs for Rutherford County for the fiscal year ended June 30, 2005 are:

<u>Program Name</u>	<u>CFDA #</u>
Subsidized Child Care Cluster	93.575, 93.596, 93.667, 93.558
Temporary Assistance for Needy Families	93.558
Title XIX Medicaid	93.778
Food Stamp Cluster	10.561, 10.551
Foster Care/Adoption Cluster	93.658, 93.659
Child's Health Insurance Program	93.767
Low Income Home Energy Assistance Program	93.568

- F. Major State programs for Rutherford County for the fiscal year ended June 30, 2005 are:

Child's Health Insurance Program
Foster Care/Adoption Cluster
Subsidized Child Care Cluster
SC/SA Domiciliary Care
Title XIX Medicaid
Temporary Assistance for Needy Families

- G. The threshold for determining Federal Type A programs for Rutherford County is \$ 1,880,179(3%).
- H. The threshold for determining State Type A programs is \$300,000.
- I. Rutherford County qualifies as a low risk auditee under Section .530 of Circular No. A-133.

II. Audit Findings Required to be Reported in Accordance with *Government Auditing Standards*

There were no findings related to the financial statements for the year ended June 30, 2005.

III. Audit Findings Required to be Reported in Accordance with OMB Circular A-133

There were no findings or questioned costs related to federal and state awards for the year ended June 30, 2005.

RUTHERFORD COUNTY, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the year ended June 30, 2005

There were no findings or questioned costs for the year ended June 30, 2004.

